Methanex 2003 Annual Report

life with methanol

a clear choice

methanex methanol

Our Annual Information Form and other publicly filed documents can be found on the SEDAR website at www.sedar.com and have also been filed on EDGAR, accessible at www.sec.gov.

This document contains forward-looking statements. These are statements involving uncertainties and risks that may cause the stated outcome to differ materially from the actual outcome. Consequently, readers are cautioned not to place undue reliance on forward-looking statements. For more information on forward-looking statements, including important factors that can cause anticipated outcomes to differ materially from actual outcomes, we refer you to page 43 of this report.

Except where otherwise noted, all dollar amounts in this report are stated in United States dollars.

Chairman's Message

Methanex has delivered another year of solid performance and excellent results. The quality of our strategic assets in Chile and Trinidad allowed us to achieve a 22% return on equity in 2003, in spite of the significant operating challenges caused by the loss of 60% of our production capability in New Zealand.

Our shareholders benefited from this good performance with a total return of over 40%[1] during the past year. We continued with our long-standing commitment to return excess cash to our shareholders by distributing close to $150 million in 2003. Over the past four years, nearly half of the more than $1 billion of cash flows from operations has been distributed to shareholders in the form of dividends and share repurchases. This has been accomplished without compromising financial flexibility or our ability to execute strategic projects.

An important event in 2003 was the resolution of the uncertainty surrounding NOVA Chemical's significant 37% shareholding in Methanex. We were pleased to participate in this transaction by purchasing nine million of the 47 million shares offered by NOVA at $9.85 per share. This share repurchase represented an excellent investment on its own merits, and the overall transaction has benefited our shareholders by not only reducing the number of common shares outstanding but also by improving the liquidity of our stock. At year end, our shares had appreciated by 14% from the time of the transaction.

The exit of our largest shareholder marked a significant transition for Methanex. Throughout its ten years as a major shareholder, NOVA was a strong supporter both of the Methanex management team and of our strategy. Their representation on our Board of Directors also added great value, not only to the strategic debates, but to overall sound governance. The principles of open and complete disclosure, the commitment to a Responsible Care ethic and the focus on strategy and succession planning were very much influenced by NOVA's presence on our Board.

[1] Measured as share price appreciation plus dividends in US dollars.

Following this transaction, we began a process of Board renewal and orderly transition at the senior management team level. We were pleased that Terry Poole of NOVA agreed to rejoin our Board as an independent director. We were equally pleased to attract Monica Sloan and John Reid as new directors.

At the request of the Board, I agreed to take on the role of Chairman and Chief Executive Officer. At the same time, Bruce Aitken was promoted to President and Chief Operating Officer. To recognize the importance of corporate governance processes, the Board has addressed the combination of Chairman and CEO in several ways, including the appointment of David Morton as Lead Independent Director. We believe that these new appointments provide stability and continuity for the leadership of our Company.

Methanex is known as a company with great transparency and good governance standards, and we are supportive of the trends in Canada and the United States to improve governance. As the new Chairman of Methanex, I make the commitment to our shareholders that we will continue with our track record of good governance. In everything we do – including market positioning, cost structure, Responsible Care and people management practices – we strive for the same high standards as other top performers. We have the same objective in terms of corporate governance and we are confident that you will see, in our disclosure documents, the progress we continue to make in this regard.

This annual report marks the first time that we are presenting both a Chairman's and President's message to our shareholders. As you read the comments from our President and COO, Bruce Aitken, you will see that our strategy remains clear and focused and it continues to deliver value for our shareholders.

Pierre Choquette

Pierre Choquette
Chairman and Chief Executive Officer
March 5, 2004

President's Message

Almost a decade ago, Methanex developed a very simple and focused strategy based on three elements – low cost, global industry leadership and operational excellence. Our vision was to create a global network of efficient, low cost methanol production facilities to underpin our position as the preferred supplier of methanol to all of the major global markets. It is very satisfying to see this vision creating excellent returns for shareholders. Our asset positioning and operational focus are producing outstanding results, and with new plants due to begin production over the next 12 months we are looking forward to another "step change" in the quality of our Company.

Over the past four years we have enjoyed strong operating results, generating total income before unusual items of more than $500 million and cash flows from operations of $1.1 billion. During this period, we have reinvested nearly $500 million in our global assets, distributed over $450 million to shareholders and delivered approximately 300 percent share price appreciation and a total return of more than 350 percent.

These results are impressive, and we believe we are well positioned to continue delivering strong results in the coming years as we leverage favourable supply and demand fundamentals with the addition of two new increments of low cost capacity, currently under construction in Trinidad and Chile.

2003 – Year in Review

As we entered 2003 we faced a major challenge. We lost nearly one-quarter of our global production capability as a result of a contractual process that left us with significantly reduced natural gas entitlements from the Maui gas field offshore New Zealand. In response, we capitalized on the flexibility of our global supply chain to service our customers in Asia Pacific. This lost production also tightened the industry supply and demand balance and contributed to higher methanol pricing throughout the year. The average realized price for 2003 was $220 per tonne compared to $155 per tonne in 2002.

Net income for 2003 was $187 million before unusual items. We generated cash flows from operating activities before changes in non-cash working capital of $330 million and once again, we closed the year with strong liquidity – our cash balances were close to $300 million.

Low Cost

An integral part of our global strategy is an ongoing focus on reducing our cost structure. 2003 saw us take several steps, through both capital projects and acquisitions, to further our cost goals.

In Trinidad, the construction of the 1.7 million tonne per year Atlas methanol facility is well advanced. Atlas is a Methanex/BP joint venture in which we own 63.1 percent. The plant is expected to start up in the second quarter of 2004.

Last year, we indicated that we were examining the merits of increasing our interest in the Titan methanol facility in Trinidad in which we had a ten percent ownership stake. In May, we acquired the remaining 90 percent interest in the 850,000 tonne per year plant by exercising a previously negotiated fixed-price option. Titan, which came on-stream in 2000, is supplied by a long-term natural gas contract and is located next to our Atlas methanol facility.

Together, Titan and Atlas will provide us with the benefits of a strategically located low cost hub and flexibility for our global supply chain, including the ability to supply the North American and Western European methanol markets on a duty-free basis.

In Chile, construction continues on our fourth unit – Chile IV – an 840,000 tonne per year expansion that will bring our total production capability in the country to nearly four million tonnes, or approximately 12 percent of the global market for methanol. We expect to have product available from this new plant in the first quarter of 2005.

Global Industry Leadership

Our efforts in the area of global industry leadership during 2003 are best described using one word: flexibility.

Our Global Marketing and Logistics team faced a considerable challenge as a result of reduced production from our New Zealand assets. Yet the team successfully reconfigured our supply chain to maintain deliveries to our global customers, particularly those in the Asia Pacific region. We also implemented

an initiative to bring greater transparency to methanol pricing by listing monthly prices in all regions. This initiative has led to improved pricing stability, a factor that is valued by all participants in the industry.

We restructured our arrangements at our Kitimat, British Columbia site to allow for future operating flexibility for this higher cost methanol facility. Going forward, the Kitimat facility offers valuable swing capacity to supplement our low cost methanol production hubs.

In December 2003, Methanex acquired all of Terra Industries' methanol customer contracts for its 700,000 tonne per year methanol facility in Beaumont, Texas. As part of this transaction – and similar to a deal announced with Lyondell in 2002 – we acquired production rights to the facility, giving our global supply chain valuable flexibility as we bring two important increments of low cost capacity in Trinidad and Chile to market over the next year.

Operational Excellence

Our focus on operational excellence helps set us apart from our competitors. Whether it is outstanding operating results, a commitment to Responsible Care and employee health and safety or prudent financial management, Methanex aims to be the methanol industry leader.

In 2003, we operated our plants at 93 percent of available capacity. These results are impressive in an industry that has not exceeded 85 percent capacity utilization, on an annual basis, over the past 15 years.

Under the umbrella of Responsible Care, our employees in manufacturing have once again delivered record performance in terms of minimizing lost-time incidents and recordable injury frequency.

In terms of financial management, 2003 was also a year of achievement. In the second half of 2002, in an effort to further enhance our long-standing commitment to improving shareholder value, we introduced a regular quarterly dividend of US$0.05 per share – the first dividend in the Company's history. By February 2003, we were in a position to pay a special dividend of US$0.25 per share, and in September 2003, our regular quarterly dividend was increased by 20 percent.

Today, as a result of a number of initiatives designed to create financial flexibility, Methanex enjoys a strong balance sheet – one that provides us with the capacity to complete our capital spending programs, pursue new opportunities to enhance our strategic position in methanol and continue to deliver on our commitment to returning excess cash to shareholders.

Looking Ahead

The year ahead brings with it a new set of challenges and opportunities.

In September 2003, Methanex made the decision to not proceed with the construction of a new methanol plant in Western Australia as capital costs for the project escalated to an unacceptable level – one that did not deliver adequate returns for our shareholders. However, we are committed to our customers in the rapidly growing Asia Pacific marketplace and are working hard to develop longer-term supply options for this region. Our disciplined approach to capital investment will continue as we evaluate and pursue these options.

MTBE, an important methanol derivative, has been an ongoing issue for the methanol industry over the last several years and continues to face an uncertain future in the United States. We are working hard to explain the facts about this important fuel additive, including the significant amount of positive scientific evidence that has repeatedly supported MTBE's role in reducing emissions and contributing to cleaner air. Ironically, while the United States seems focused on eliminating MTBE, much of the rest of the world is increasing consumption of this valuable, clean-burning gasoline component. We will continue to promote the merits of MTBE on a global basis.

With improving global economic conditions, limited net new methanol supply over the next couple of years and the possibility of a sustained high natural gas price environment in North America, we remain optimistic about the supply and demand fundamentals for our industry.

In the coming 12 months, we look forward to making the next "step change" in the quality of our asset base. By this time next year, Methanex will have the capability to produce nearly six million tonnes of low cost capacity from our production hubs in Chile and Trinidad alone – and this is expected to significantly improve our cash flow generation.

Over the ten years that I have been with Methanex, I have seen our Company grow into the industry leader that it is today. In my new role, I look forward to our continued evolution as the world leader in methanol.

On behalf of all of our employees, I thank you for your ongoing support.

Bruce Aitken
President & Chief Operating Officer
March 5, 2004

Executive Leadership Team

Bruce Aitken
Ian Cameron
Pierre Choquette

Gerry Duffy
Jim Emmerton
John Gordon

Rodolfo Krause
Michael Macdonald
Randy Milner

2003 Corporate Events Review

FEBRUARY

Following an independent expert's final determination of the "economically recoverable" Maui natural gas reserves offshore New Zealand, we lost substantially all of our remaining contractual entitlements from the field – an event that limited 2003 production from our New Zealand facilities to roughly 40% of capacity.

As part of our long-standing commitment to return excess cash to shareholders, we paid a special dividend to shareholders of $0.25 per share.

MAY

Through a previously negotiated fixed-price option, we acquired the remaining 90% of the low cost, 850,000 tonne per year Titan methanol plant in Trinidad that we did not already own – combined with the 1.7 million tonne per year Atlas facility currently under construction, this establishes a production hub in this strategic location.

JUNE

NOVA Chemicals exited as our largest shareholder by selling 37.9 million Methanex shares through a secondary offering at $9.85 per share. We participated in NOVA's exit by repurchasing nine million shares from NOVA at the same price.

JULY

We improved future operating flexibility at our Kitimat methanol plant by acquiring the ammonia production assets of our site partner, Pacific Ammonia Inc.

SEPTEMBER

We began a process of Board renewal and were pleased to attract three new independent members to our Board – A. Terence Poole, Monica Sloan and John Reid.

Pierre Choquette assumed the role of Chairman of the Board in addition to his responsibilities as CEO and Bruce Aitken was promoted to President and COO.

Reflecting steady progress against our strategic goals and our confidence in the sustainability of improvements in the quality of our business, we increased our regular quarterly dividend to shareholders by 20%.

We decided to not proceed with construction of a proposed 1.3 million tonne per year methanol plant in Western Australia as capital costs for the project escalated to an unacceptable level.

NOVEMBER

We wrote down the carrying value ($130 million) of our production assets in New Zealand and Alberta to reflect the changed economics for natural gas in both regions.

DECEMBER

We improved financial flexibility by amending a restricted payments covenant on our 2005 bonds – the amendment effectively improves our ability to make future distributions to shareholders.

We finalized a $250 million three-year revolving credit facility with a syndicate of banks to replace the expiring facility.

We gained additional production flexibility by acquiring the methanol customer contracts and certain production rights related to Terra Industries' 700,000 tonne per year methanol plant in Beaumont, Texas.

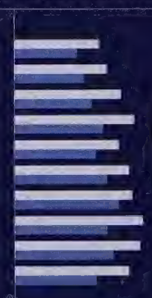
2003 Financial Highlights

(thousands $US)	2003	2002
Revenue	1,394,450	1,008,792
Cost of sales and operating expenses	(1,002,853)	(739,156)
Depreciation and amortization	(95,107)	(111,289)
Interest expense	(38,815)	(28,972)
Interest and other income	13,843	10,365
Unusual items[1]	(179,185)	(88,415)
Income tax expense	(84,825)	(24,911)
NET INCOME	7,508	26,414
Add non-cash items:		
Depreciation and amortization	95,107	111,289
Future income taxes	45,239	8,446
Non-cash unusual items[1]	169,398	88,415
Other	13,158	10,030
CASH FLOWS FROM OPERATING ACTIVITIES[2]	330,410	244,594
Increase (decrease) in cash and cash equivalents	(133,524)	89,258
Cash and cash equivalents, end of year	287,863	421,387
Operating income	296,490	158,347
EBITDA[3]	391,597	269,636

	2003	Q4	Q3	Q2	Q1	2002
Sales Volumes (thousands of tonnes)						
Produced product	4,933	1,328	1,200	1,211	1,194	5,686
Purchased product	1,392	399	350	332	311	809
Commission sales[4]	254	—	—	55	199	725
	6,579	1,727	1,550	1,598	1,704	7,220
Average Realized Methanol Price						
$/tonne	220	204	216	240	223	155
$/gallon	0.66	0.61	0.65	0.72	0.67	0.47
Per Share Information						
Net income (loss)	0.06	(0.92)	(0.06)	0.39	0.60	0.21
Adjusted net income[5]	1.52	0.24	0.27	0.39	0.60	0.89
Cash flows from operating activities[2]	2.69	0.53	0.58	0.68	0.89	1.93

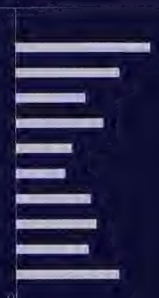
Sales Volumes and Production (thousands of tonnes)

	Sales	Prod
1994	4,874	3,622
1995	5,321	4,006
1996	6,137	4,455
1997	6,903	5,092
1998	6,011	4,690
1999	6,593	5,343
2000	6,771	6,007
2001	7,390	5,361
2002	7,220	5,691
2003	**6,579**	**4,698**



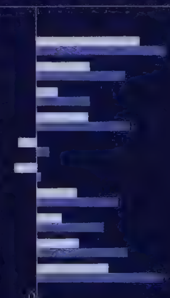
Average Realized Methanol Price

	$/gallon	$/tonne
1994	0.87	288
1995	0.67	222
1996	0.45	149
1997	0.56	187
1998	0.36	120
1999	0.32	105
2000	0.48	160
2001	0.52	172
2002	0.47	155
2003	**0.66**	**220**



Adjusted Net Income (Loss)[5] and Cash Flows per Share[6]

	NI	CF
1994	2.20	2.75
1995	1.14	1.89
1996	0.45	1.14
1997	1.10	1.99
1998	(0.39)	0.27
1999	(0.47)	0.09
2000	0.85	1.74
2001	0.53	1.42
2002	0.89	1.93
2003	**1.52**	**2.69**



1 Unusual items include the New Zealand and Medicine Hat, Alberta asset impairment charges (2003), write off of plant and equipment under development (2003), Fortier asset restructuring charge (2002) and site restoration adjustment (2002).

2 Before changes in non-cash working capital and the utilization of prepaid natural gas.

3 For a reconciliation of cash flows from operating activities to EBITDA refer to "Supplemental Non-GAAP Measures" on page 41.

4 Effective May 1, 2003, we acquired the remaining interest in the 850,000 tonne per year Titan methanol facility ("Titan"). Prior to May 1, 2003, we had a 10% interest in Titan and marketed its entire production on a commission basis.

5 Excludes unusual items as described in the Factbook at the end of this annual report.

6 Cash flows from operating activities[2] divided by the weighted average number of common shares outstanding.

Refer to the Factbook at the end of this annual report for additional financial highlights and other information about Methanex and the methanol industry.

Q

The methanol industry experienced balanced to tight market conditions and strong pricing in 2003. What impact will the new capacity increments expected for 2004 in Trinidad, Iran and China have on the global supply/demand balance?

Bob Hastings Raymond James, Vancouver

A

Looking ahead, we are optimistic that the favourable methanol market conditions enjoyed throughout 2003 will continue in 2004. We expect that the impact of planned new capacity additions is likely to be largely offset by further shut-downs of high cost North American production and growth in global methanol demand.

Early in 2004, stronger demand (particularly in Asia), higher North American natural gas prices and low global inventories combined to create a tightening of market conditions and higher methanol prices.

We expect that the 1.7 million tonne per year Atlas methanol facility in Trinidad – owned 63.1 percent by Methanex – will be the first increment of new production this year. NPC in Iran is also planning for new capacity and our expectation is for this facility to commence production during the second half of 2004. Estimating new capacity additions in China is difficult, but we expect the impact of new additions in 2004 to be minimal. The combination of small scale and remote inland locations contribute to a relatively high cost to serve the major Chinese coastal markets.

As the methanol industry leader, we have taken several steps designed to provide our global supply chain with valuable flexibility both in the current tight market and as new capacity is brought to market in 2004. During this year, we hold certain production rights for the methanol plants owned by Lyondell and Terra Industries in Texas – these facilities have a combined annual capacity of 1.5 million tonnes.

On the demand side, if you assume that global demand for methanol grows at historic rates, then our industry would need to add close to one million tonnes of new capacity per year just to keep pace with new demand.

Q

How important is the Chinese market to Methanex and the methanol industry? Under what conditions would Methanex entertain becoming involved in a China-based methanol project?

Sam Kanes Scotia Capital Markets, Toronto

A

Many industries, including methanol, recognize the potential of the large and emerging Chinese market. As the country continues to develop and further emerges as a manufacturing centre for the world, there will be ongoing investment in infrastructure, a growing demand for consumer and industrial products and an increased need for feedstocks such as methanol, which is used to manufacture many of the products that we rely on everyday.

Today, demand for methanol in China is over four million tonnes per year – nearly 15 percent of total world demand. We believe that historically strong growth rates in this country will continue, and by 2008, demand for methanol in China could exceed seven million tonnes per year.

We are committed to maintaining our strong presence in the rapidly growing Asia Pacific marketplace. Today, due to the strength and flexibility of our global supply chain, we are able to supply Asian customers from our plants in New Zealand, Chile and Canada. We are presently focused on identifying our preferred options for long-term supply to China and the rest of the Asian market. Alternatives being considered include:

- Building large, in-region methanol storage terminals – replicating the success of our investment in terminals in Korea.
- Making a small equity investment (and obtaining full marketing rights) to new, in-region production. The Middle East and Southeast Asia offer the most promise in this regard.
- Acquiring existing in-region production.

Our estimated cash equity contribution to undertake one or a combination of these alternatives would be unlikely to exceed $100 million. In any case, our disciplined approach to capital investment will be applied as we evaluate and pursue our options.

Q

Historically, high cost North American producers have set the floor price for methanol. How do you see that floor price mechanism changing as North American methanol capacity continues to shut down?

John Roberts Buckingham Research Group, New York

A

Given the significant methanol capacity located in North America and the position of these plants on the industry cost curve, the cash costs of North American producers – determined in large part by prevailing natural gas prices – have historically determined the floor price for methanol.

It is important to note that strong methanol prices throughout 2003 and into early 2004 were largely attributable to limited methanol supply, not just a response to high North American natural gas prices.

As you point out, the amount of production coming from North America has been significantly reduced over the last few years, with over five million tonnes per year remaining – approximately 16 percent of total world supply. As new low cost capacity is added around the world, this North American capacity will eventually be reduced to a point where the region's production costs, and consequently North American natural gas prices, will have little effect on the floor price of methanol. We believe this transition may take some time as a number of factors – such as demand growth rates and the timing of capacity additions – will determine the pace of change.

Also, the methanol industry production cost curve is reasonably steep. Over time, we believe that other high cost facilities in regions of the world such as Eastern and Western Europe, China, Indonesia and Malaysia will replace North America in determining the floor price for methanol. In the long term, we believe that methanol pricing will be determined by industry reinvestment economics.

Q Can you provide an update on MTBE's removal from commerce in California and the rest of the U.S.? How will this affect global demand for methanol?

Brian MacArthur | UBS Securities Canada, Toronto

A

Lost demand for methanol stemming from the MTBE phase-out in the U.S. is unfortunate and unnecessary. However, the methanol market remains in reasonable balance today despite a significant amount of MTBE already being displaced.

We believe that the phase-out of MTBE in California is substantially complete and that removal of the oxygenate in New York and Connecticut is well advanced. While we continue to promote the merits of MTBE globally, we plan on the basis that the remaining two million tonnes of methanol-equivalent demand per year in the U.S. will be reduced or possibly eliminated.

Ironically, while the United States seems focused on eliminating MTBE, much of the rest of the world is increasing consumption of this valuable, clean-burning gasoline component. In December 2001, the European Union confirmed the suitability and continued use of MTBE as a fuel component. In Asia, where many countries are still looking to replace lead in gasoline, MTBE provides an economically attractive choice. In fact, the Chinese government introduced new gasoline specifications in July 2003. Since that time, we have witnessed a significant increase in MTBE imports to China. Finally, we believe that the Middle East – home of significant MTBE production – represents future demand growth for MTBE as Iran and other countries in the region continue to implement new and improved standards for gasoline.

Overall, we believe that demand growth for MTBE in other parts of the world, coupled with the traditional, steady non-MTBE demand growth for methanol, has made and will continue to make the issue of MTBE reduction in the U.S. a manageable one for the methanol industry.

Q Methanex has a strong balance sheet, including a significant amount of cash on hand. What are your plans for that cash?

Don Anderson Salman Partners, Vancouver

A

Methanex has a strong balance sheet. We closed 2003 with almost $300 million in cash and during the fourth quarter of 2003, finalized a $250 million three-year revolving credit facility to replace an expiring facility. We recognize that methanol is a cyclical industry, and it is important to maintain financial flexibility through price cycles. Consequently, we adopt a prudent approach to managing liquidity.

We will continue to apply a balanced approach between reinvesting in our business, managing our balance sheet and returning excess cash to our shareholders.

We have two very important projects under construction in Trinidad and Chile that will be completed over the next 12 months, and this is our first priority for our cash. We also look for opportunities in the methanol industry for investments that meet our hurdle rates of return, and in 2004 we will focus on options to underpin our market position in Asia.

We also constantly review our balance sheet and think it makes sense during periods of strong cash flows to repay some debt. We are currently reviewing opportunities to accelerate the repayment of more than $100 million of project-related debt.

A third and equally important element to our balanced approach to managing cash is returning excess cash to shareholders. We have built a strong track record for returning excess cash and over the past four years have distributed over $450 million to shareholders by way of regular dividends, a special dividend and share repurchases. During 2002, we instituted a regular dividend and increased this by 20% in 2003. As we bring the Trinidad and Chile expansions into production over the next 12 months, and the quality of our earnings improves, we will be in a position to review the level of the regular dividend. Also, assuming strong cash flows continue and the successful execution of our projects in Trinidad and Chile, we will likely have excess cash that could be returned to shareholders. Our current preference is to repurchase shares, and we would expect to do this through a normal course issuer bid.

Responsible Care

Responsible Care, developed by the Canadian Chemical Producers' Association (CCPA), is a risk minimization approach to operating a company — from product inception through production to ultimate disposal. While Responsible Care is really an ethic, the CCPA has developed guiding principles and six codes of practice to help member companies implement these risk-reducing management systems. Since its creation in the mid-1980s, Responsible Care has spread to chemical associations in nearly 50 countries.

Fully integrated into Methanex's values, Responsible Care is the umbrella under which we manage issues related to health, safety, environment, community involvement, and emergency preparedness at each of our facilities and locations. This ethic also guides decision-making related to our corporate development objectives.

Methanex interprets Responsible Care as minimizing risk to people, the environment and the community throughout the development, manufacture, storage, transportation and distribution of methanol and the management of waste. The application of Responsible Care begins with our Board of Directors, where we have a Responsible Care Committee, and extends throughout our organization. Responsible Care is implemented through management systems that are documented by written policies and procedures. Management system effectiveness is measured using an audit process that we apply to all of our business operations. This process ensures ongoing compliance, identifies opportunities for improvement and provides for the sharing of company best practices. These audits often include third-party observers.

Since voluntarily adopting Responsible Care, we have continually found ways to improve our performance in health, safety and the environment. We are ready to take the next logical step in Responsible Care by placing more attention on the social responsibility aspects of our business. Responsible Care helps us achieve strong financial performance, effective and innovative minimization of environmental impacts and improved quality of life in society, particularly in communities where our employees reside.

Some of the countries in which we operate have different standards than those applied in North America. Our policy is to adopt the more stringent of either CCPA practices or local regulatory or association requirements at all of our facilities.

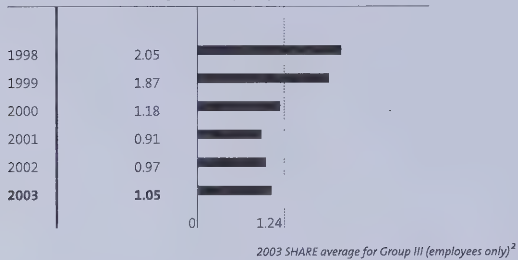
Finally, our shareholders should also have a keen interest in Responsible Care as it adds value to our Company. Not only has it improved our business, won us customers and provided cost savings, but our commitment to Responsible Care also positions us to compete favourably within the global marketplace. Social responsibility and environmental consciousness are critical to business decisions as we go forward.

Safety Performance

The safety and health of people is of primary concern at all of our facilities. Each of our manufacturing sites has long-standing formal safety programs and we encourage the adoption of healthy lifestyles for employees at all of our workplaces.

Our focus is on continually improving safety performance. Our overall recordable injury rate continues to compare favourably with industry peers, and in Canada, for example, we won — for the second year in a row — the CCPA SHARE (Safety and Health Analysis Recognition and Exchange) Award for "Excellence in Safety", which recognizes consistent improvement against peer companies over five consecutive years.

Methanex Recordable Injuries Frequency Rate (includes contractors)[1]



1 2003 Methanex Recordable Injuries Frequency Rate for employees only was 0.83.
2 Group III companies are CCPA member companies whose employees collectively work more than one million hours per year.

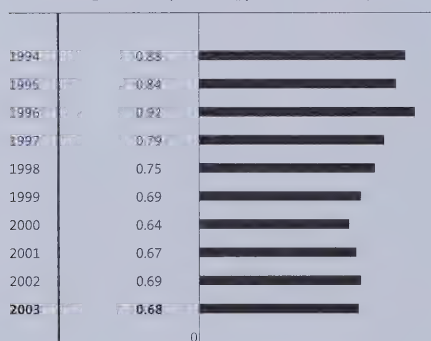
The 'recordable injury' (RI) frequency rate is the most readily comparable safety measure throughout the chemical industry. This rate is defined as 'recordable injuries per 200,000 exposure hours', where exposure hours are the total number of hours worked. RIs include incidents that require medical attention or result in restricted work, as well as lost-time injuries (LTI). An LTI is recorded when a person is unable to return to work the day following an injury. In 2003, one LTI was recorded among Methanex employees. Our employees in manufacturing have once again delivered record performance in terms of minimizing RIs and LTIs.

Environmental Performance

Our product, methanol, is readily biodegradable and therefore poses very little long-term risk to the environment if accidentally released. As well, the methanol production process generates little solid and liquid waste; the major emission generated is carbon dioxide (CO_2).

The amount of CO_2 generated by the methanol production process depends upon the production technology (and hence often the plant age), the feedstock and any export of by-product hydrogen. The emissions produced are typically low pressure and difficult to recover, and the process has thermodynamic constraints.

Methanex CO_2 Emissions (tonnes CO_2 per tonne methanol)



We actively support the CCPA, which encourages industry to voluntarily reduce both energy consumption and CO_2 emissions. Where national voluntary reduction programs exist, we participate fully.

Awards

One indicator of the success of Methanex's commitment to safe working environments is recognition from other like-minded organizations. Over the past several years, we have been awarded many national and industry safety awards.

During 2003, the Chilean Safety Association presented Methanex Chile with its 2002 Merit Award for outstanding safety performance over the previous three years.

Responsible Care in Action

Preventing Leaks in Railcars

In previous years, we have reported on the efforts made to reduce the number of incidents involving methanol leaks from railcars in our North American fleet. Our focus on this issue has reduced the frequency of this type of incident. In 2001, we recorded 22 incidents and in 2002 we recorded seven incidents. In 2003, we recorded two incidents from close to 6,500 railcar shipments. Although proud of this achievement, our ongoing and ultimate goal is total elimination of these incidents.

Educating Customers, Suppliers and Carriers

Another key part of Methanex's Responsible Care commitment is incident prevention and, to improve our performance in this regard, we share "best safety practices" on a global basis. We have developed a CD-based training module that covers basic elements of methanol safety and handling and our employees around the world use this tool to help educate new employees, customers and suppliers in the proper handling and use of our product.

Social Investment

Methanex and its employees have continued to make significant investments in the communities where we live and work, contributing more than $660,000 in 2003.

Promoting Local Skills Development

With Trinidad becoming a major production centre for Methanex, the principles of Responsible Care have become an integral part of the daily operations at both the Atlas and Titan plants. We are working with the Trinidad and Tobago Institute of Technology (TTIT), a campus of the National Energy Skills Centre (NESC), to ensure that educational programs are in place to educate and train present and future employees, suppliers and contractors.

During the year, Methanex was actively involved in supporting NESC/TTIT with two separate donations: one to implement diploma, certificate and degree programs in Petroleum, Mechanical and Electrical Engineering, and the other to underwrite improvements to safety training programs for current and future trades employees in Trinidad. Instruction ranges from site safety and security to the safe operation of hand and power tools. Our emphasis on job safety is intended to reduce the frequency and severity of worker injuries and unplanned shutdowns — ultimately increasing plant operating reliability and efficiency. These new programs will help our facilities in Trinidad to achieve those goals.

Corporate Governance

Corporate governance has become an important public policy issue. Corporate governance means having in place processes and structures that provide proper direction and management of the business and affairs of a company. Good corporate governance is critical to a company's effective, efficient and prudent operation.

Sound and effective corporate governance is a priority for Methanex — we consider it essential to the long-term success of our Company. Our corporate governance policies are designed to ensure the independence of our Board of Directors and its ability to effectively supervise management's operation of the Company. Board independence ensures that Methanex is managed for the long-term benefit of our major stakeholders, and, in particular, our shareholders.

In addition, we place great importance on our internal control and compliance processes. These include strong management oversight, internal and external audits and enforcement of our Code of Business Conduct, which promotes the highest of ethical standards across the organization. These processes fully comply with current regulatory requirements that we are subject to in Canada and the United States.

Major Corporate Governance Developments at Methanex in 2003

During 2003, we made a considerable number of improvements to our system of corporate governance:

- Created a free-standing Corporate Governance Committee of the Board.
- Named Mr. David Morton as Lead Independent Director, responsible for chairing the Corporate Governance Committee and leading regularly-scheduled sessions of the independent directors.
- Updated our Code of Business Conduct, which provides our directors and employees with a set of standards to promote ethical and honest behavior.
- Reinforced our policy concerning the full, fair, timely, accurate and understandable disclosure of information about our business.
- Established a confidential "whistleblower" hotline allowing employees to report suspected ethics violations, including those relating to questionable accounting or auditing matters.
- Named Mr. A. Terence Poole as the "audit committee financial expert."
- Established a set of Corporate Governance Principles to assist the Board in carrying out its responsibilities.
- Provided for greater transparency of our governance systems and values through planned disclosure on our website (www.methanex.com), including the Methanex Code of Business Conduct — our Code of Ethics.
- Established a new policy that precludes Methanex from retaining its external auditors for prohibited consulting services, and requiring all permitted non-audit services to be pre-approved by the Audit Committee.
- Formalized our insider trading policy, including establishing blackout periods when insiders are prohibited from trading in Methanex securities.
- Stock option grants were eliminated for directors and significantly reduced for management and were replaced with non-dilutive grants of restricted share units.

Board of Directors

Our Board supervises the management of our business and approves the overall policies under which we operate. In addition, the Board evaluates our strategic direction and planning process and participates in developing and approving our strategic plan.

The Board approves our approach to significant business issues and corporate plans as well as major transactions such as acquisitions, divestitures, financing, significant capital expenditures and human resource matters.

Our directors have a wealth of experience that is relevant to our business. This includes experience with various commodities including chemicals, forest products, natural gas and metals, as well as finance, international business, government relations and information technology.

Our directors are kept informed of the performance of our operations at regularly scheduled meetings of the Board and its Committees, through reports and analyses prepared by management and by professional advisors. During 2003, our Board met formally on ten occasions and there were also 17 Committee meetings. The overall director attendance rate at these meetings was 93 percent.

Our management, especially Mr. Pierre Choquette, Chairman and Chief Executive Officer, and Mr. Bruce Aitken, President and Chief Operating Officer, communicate and meet frequently with our directors on an informal basis.

Committees of the Board of Directors

During 2003, the Board had five standing Committees, each having a formal mandate with delegated responsibilities and instructions to perform advisory functions and make reports and recommendations to the Board. Each Committee conducts an annual self-assessment of its performance against its mandate.

Audit, Finance and Risk Committee
Brian D. Gregson – Chair
R.J. (Jack) Lawrence
A. Terence Poole
John M. Reid
Graham D. Sweeney

The Audit, Finance and Risk Committee meets with our executive and financial officers and our independent auditors to review (among other matters) financing, financial reporting, controls and procedures, audit procedures and plans, risk management, the investment of Company pension funds and our disclosure documents. This Committee met on seven occasions in 2003.

Corporate Governance Committee
David Morton – Chair
Robert B. Findlay
R.J. (Jack) Lawrence
John M. Reid
Anne L. Wexler

The Corporate Governance Committee is responsible for the composition, performance, compensation and governance of the Board and the Committees. It is also responsible for taking a leadership role in shaping the corporate governance of the Company. This Committee met on two occasions in 2003.

Human Resources Committee
Robert B. Findlay – Chair
R.J. (Jack) Lawrence
David Morton
Monica E. Sloan
Anne L. Wexler

The Human Resources Committee reviews matters that include senior management appointments, succession planning, compensation and performance. This Committee approves the written annual corporate objectives of our CEO and COO and reviews their performance relative to those objectives. This Committee met on four occasions in 2003.

Responsible Care Committee
Graham D. Sweeney – Chair
Robert B. Findlay
Brian D. Gregson
Monica E. Sloan

The Responsible Care Committee is responsible for the environment and occupational health and safety matters that impact significantly on the Company. This Committee met on two occasions in 2003.

Public Policy Committee
Anne L. Wexler – Chair
David Morton
A. Terence Poole
Graham D. Sweeney

The Public Policy Committee is responsible for government relations, social investment and public affairs issues that impact significantly on the Company. This Committee met on two occasions in 2003.

Board, Employee and Shareholder Alignment

We believe the alignment of Board, employee and shareholder interests promotes good corporate governance. Incentive plans, including stock-based compensation, are one of the most common forms of alignment, but we have also implemented other alignment plans and guidelines.

Share ownership guidelines for the Board and executive officers are as follows:

- Directors to own shares valued at 200 percent of the annual retainer
- CEO to own shares valued at 500 percent of annual base salary
- COO to own shares valued at 400 percent of annual base salary
- Other executive officers to own shares valued at 300 percent of annual base salary

Share ownership guidelines have also been extended to certain other management positions. The guidelines are expected to be achieved within specified periods.

Directors, executive officers and management are eligible to receive long-term incentive Restricted Share Units (RSUs). RSUs are a notional grant of shares. Commencing in 2003, executive officers elect to receive 50% or 100% of the value of their annual long-term incentive award in the form of RSUs, which are non-dilutive to shareholders. The CEO and all executive officers will receive 100% of the value of their 2004 long-term incentive award in the form of RSUs. Non-executive directors are granted RSUs as part of their director's compensation, replacing a grant of stock options. RSUs granted in 2004 will vest on December 1, 2006. Upon vesting, RSUs are redeemed at a value based on the trading price of the Company's shares. The RSU plan is being extended to certain other management positions in 2004. RSUs are considered when determining whether an individual is meeting share ownership guidelines.

Directors and executive officers may participate in the Company's Deferred Share Unit (DSU) Plan. DSUs are notional grants of shares whose value is redeemable only after an individual ceases to be a director or the executive officer ceases employment with the Company. Directors elect annually to receive up to 100% of their retainer and meeting fees as DSUs. Directors may also elect to receive DSUs as their long-term incentive. Executive officers may elect annually to receive up to 100% of their short-term incentive payment as DSUs. Executive officers may also elect to receive DSUs as their long-term incentive. DSUs are considered when determining whether share ownership guidelines are being met. The majority of our directors participate in the DSU Plan.

We have an employee share purchase plan that encourages share ownership for all of our employees. At the end of 2003, 90% of our employees were shareholders through this plan.

All employees are eligible for annual short-term incentive payments. The incentive payment depends on individual and Company performance, and increases with organizational responsibility. In 2003, incentive payments were made commensurate with achieving pre-agreed objectives.

At December 31, 2003, directors and executive officers held approximately two million Methanex shares, DSUs and RSUs.

Management's Discussion & Analysis

At March 5, 2004, we had 121,594,542 common shares issued and outstanding and stock options exercisable for 4,648,650 additional common shares.

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This Management's Discussion and Analysis should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2003. Except where otherwise noted, all dollar amounts are stated in United States dollars. Additional information relating to Methanex, including our Annual Information Form, is available on SEDAR at www.sedar.com.

OVERVIEW

Methanol is a liquid commodity chemical produced primarily from natural gas. Approximately 80 percent of all methanol is used to produce formaldehyde, acetic acid and other chemical derivatives for which demand is influenced by levels of global economic activity. The remainder of all methanol is used in the fuel sector principally to produce the gasoline additive MTBE, for which demand is driven by air quality improvement legislation and levels of gasoline demand.

We are the world's largest producer and marketer of methanol. We operate methanol production facilities in Chile, Trinidad, New Zealand and Canada. In addition, we source additional methanol produced by others either on a contract basis or on the spot market in order to meet customer needs and support our marketing efforts. We believe our global positioning, including our extensive network of storage terminals and world-class expertise in the global distribution of methanol, is a competitive advantage.

OUR STRATEGY

Our primary objective is to create value through maintaining and enhancing our leadership in the production, marketing and delivery of methanol to our customers. The key elements of our strategy to achieve this objective may be summarized as follows:

Low Cost Structure

The most significant components of our costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers.

An important element of our strategy is to ensure security of natural gas supply at favourable prices. Over time, we have been reducing our reliance on North American production, where natural gas is purchased on a short-term basis and prices are extremely volatile, by selecting locations for new facilities where we can purchase natural gas through long-term contracts with favourable pricing.

Chile represents our largest production hub with three methanol plants and current annual production capacity of three million tonnes. We purchase all of our natural gas requirements for our Chilean facilities through favourably priced long-term take-or-pay supply contracts. The purchase price for natural gas is adjusted by a formula related to methanol prices and this enables our facilities in Chile to be very competitive at all points throughout the methanol price cycle. We are currently expanding our operations in Chile with the construction of Chile IV, an 840,000 tonne per year methanol plant, which is expected to be completed in early 2005. In addition to favourable natural gas contracts, recent free trade agreements now provide for duty-free supply from Chile to North America and the European Union.

Trinidad is our second largest production hub and this strategic location benefits from abundant sources of natural gas and duty-free access to North America and the European Union. The 850,000 tonne per year Titan Methanol Company facility ("Titan") commenced operations in 2000. Prior to May 2003, we had a 10% interest in Titan and marketed its entire production on a commission basis. Effective May 1, 2003, we acquired the remaining 90% interest in Titan by exercising a fixed-price option. We are pleased with Titan's operating results during 2003 and believe that we have created significant shareholder value by exercising a fixed-price option during a period of high methanol prices.

Together with BP, we are currently constructing Atlas, a 1.7 million tonne per year methanol facility in Trinidad located adjacent to Titan. Atlas is expected to be completed during the second quarter of 2004. We have a 63.1% joint venture interest in Atlas and will market 100% of its production. Similar to our Chilean operations, Atlas and Titan are underpinned by favourably priced long-term take-or-pay natural gas contracts that are adjusted by formulas related to methanol prices.

We are also focused on reducing our ocean shipping and other distribution costs. We seek to use larger vessels where possible and to maximize the utilization of our shipping fleet in order to reduce costs. We take advantage of prevailing conditions in the shipping market by varying the type and length of term of our ocean shipping contracts. We are investigating the opportunity to increase the number of in-market storage terminal facilities, particularly in Asia, to further improve the efficiency and cost-effectiveness of servicing our customers. We also look for opportunities to enter into product exchanges to reduce duty and other distribution costs.

Global Industry Leadership

We sell methanol through an extensive global marketing and distribution system. We believe this has enabled us to become the largest supplier of methanol to each of the major international markets of North America, Asia Pacific and Europe, as well as Latin America.

We have played a role in the consolidation of the methanol industry and have positioned ourselves as the supplier of choice for global methanol consumers as they face the decision of producing or purchasing their methanol feedstock requirements. Over the past few years we have permanently shut down 1.7 million tonnes of our own higher-cost capacity. Other producers have also shut down plants and this has allowed us to enter into long-term supply contracts and gain new customers. In 2002, we completed a long-term exclusive agreement with Lyondell Chemical to supply their methanol requirements in North America and Europe, and we gained certain production rights for their methanol plant in Texas during 2004. In 2003, we acquired certain production rights for Terra Industries' methanol facility located in Texas until the end of 2008 and the related methanol customer contracts. Through the production rights agreements with Lyondell and Terra we are able to determine the level of production from these facilities, which have a combined annual capacity of approximately 1.5 million tonnes. These arrangements provide our supply chain with valuable flexibility as we bring two important increments of low cost capacity in Trinidad and Chile to market over the next year.

Operational Excellence

Our focus on operational excellence includes excellence in our manufacturing process, in the leadership of our human resources and in the management of our finances.

In order to differentiate ourselves from our competitors, we strive to be the premier operator in all aspects of our business. We believe that reliability of supply is critical to the success of our customers' businesses and our goal is to deliver methanol reliably and cost-effectively. Through our Responsible Care program, we believe we have achieved an excellent overall environmental and safety record at all of our facilities and have reduced the likelihood of unplanned shutdowns and lost-time incidents. By maintaining and improving our plant operating reliability, as a result of our focus on operational excellence, we believe we have become a preferred supplier of methanol globally.

We operate in a highly competitive cyclical industry. Accordingly, we believe it is important to maintain financial flexibility throughout the methanol price cycle and we have deliberately adopted a prudent approach to our liquidity. We have similarly established a disciplined approach to capital spending and have set minimum target return criteria for methanol capacity additions and other investments. We are focused on financial discipline and value creation.

HOW WE ANALYZE OUR BUSINESS

Our operating results are affected by the market price for methanol, our production volumes and related costs of production and distribution and, to a lesser extent, the margins we earn on the sale of purchased methanol.

We believe that our results of operations are best examined by analyzing changes in the components of our operating income, interest expense, interest and other income, unusual items and income taxes. The margin characteristics of our sales of purchased methanol and our sales of produced methanol are very different and therefore we believe that separate discussion of the revenue and cost of sales line items is less meaningful. The discussion of purchased methanol and its impact on our results of operations is more meaningfully discussed on a net margin basis, because the cost of sales of purchased methanol consists principally of the cost of the methanol itself, which is directly related to the price of methanol at the time of purchase. The cost for purchased methanol also includes allocated storage and handling costs. The discussion of produced methanol is more meaningful if we separately analyze the individual elements that impact operating income. These elements are selling price and sales volumes, total cash cost (which is included in cost of sales and operating expenses in the income statement) and depreciation and amortization. Total cash cost includes cash production and distribution costs (which we call delivered cash cost) and selling, general and administrative expenses.

FINANCIAL HIGHLIGHTS

($ MILLIONS EXCEPT AS NOTED)	2003	2002
Sales volumes (thousands of tonnes):		
Company produced	**4,933**	5,686
Purchased	**1,392**	809
Commission sales[1]	**254**	725
	6,579	7,220
Average realized methanol price ($ per tonne)	**220**	155
Revenue	**1,394**	1,009
Net income	**8**	26
Income before unusual items (after-tax)[2]	**187**	112
Operating income	**296**	158
Cash flows from operating activities[3]	**330**	245
EBITDA[4]	**392**	270
Basic and diluted net income per share	**0.06**	0.21
Basic income before unusual items (after-tax) per share[2]	**1.52**	0.89
Number of common shares outstanding at December 31 (millions of shares)	**120**	126
Weighted average number of common shares outstanding (millions of shares)	**123**	127

1 *Commission sales includes production that we marketed on a commission basis from the 850,000 tonne per year Titan Methanol Company facility in Trinidad prior to our acquisition of this facility on May 1, 2003.*

2 *Unusual items include items that are considered by management to be non-operational and/or non-recurring. For a reconciliation of net income to income before unusual items (after-tax) and the basis for the calculation of basic income before unusual items (after-tax) per share, refer to "Supplemental Non-GAAP Measures" on page 41.*

3 *Before changes in non-cash working capital and the utilization of prepaid natural gas.*

4 *EBITDA differs from the most comparable GAAP measure, cash flows from operating activities, primarily because it does not include changes in non-cash working capital and the utilization of prepaid natural gas, cash flows related to interest, income taxes, asset restructuring charges and other unusual items. For a reconciliation of cash flows from operating activities to EBITDA, refer to "Supplemental Non-GAAP Measures" on page 41.*

OUR RESULTS OF OPERATIONS

For the year ended December 31, 2003, net income was $8 million compared with $26 million for 2002. Income before unusual items (after-tax) in 2003 was $187 million compared with $112 million in 2002.

For a description and analysis of unusual items recorded in 2003 and 2002 refer to Unusual Items on page 31.

Production Summary

The following table details the annual operating capacity and production for facilities that operated in 2003.

(THOUSANDS OF TONNES)	ANNUAL OPERATING CAPACITY	2003	2002
Chile I, II and III (Chile)	3,000	2,704	2,932
Titan (Trinidad)	850	577	—
Motunui & Waitara Valley (New Zealand)	2,430	968	2,281
Kitimat (Canada)	500	449	478
	6,780	4,698	5,691

In addition to the facilities listed in the table above, we currently have idled facilities in Medicine Hat (Alberta, Canada) and Fortier (Louisiana, USA), which have been idled since July 2001 and March 1999, respectively. These facilities are now permanently shut down.

During 2003, we had planned and unplanned shutdowns at our facilities in Chile and this resulted in lower production compared with 2002.

Titan was acquired effective May 1, 2003 and operated at 102% of annual operating capacity in 2003 subsequent to acquisition.

The Maui natural gas field has been the primary source of natural gas for our New Zealand facilities. A contractual process was initiated in December 2001 to re-determine the economically recoverable reserves in the Maui field. On February 6, 2003, a final determination report of the economically recoverable reserves in the Maui field was released and based on this report we lost substantially all of our remaining contractual entitlements from this field. Based on contracted natural gas and additional natural gas that we believe we will contract, we expect 2004 production from our New Zealand facilities to be between 0.5 million tonnes and 1.0 million tonnes. In addition, the price we will pay for natural gas in New Zealand will be higher in 2004 compared with 2003.

Operating Income

2003 operating income was $296 million compared with $158 million in 2002. The increase in operating income of $138 million resulted from:

2003 VS. 2002	($ MILLIONS)
Higher realized price of produced methanol[1]	325
Higher total cash cost[2]	(110)
Lower sales volume of produced methanol[3]	(61)
Lower margin on the sale of purchased methanol[4]	(32)
Lower depreciation and amortization[5]	16
	138

1 *Calculated as the difference in the selling price of methanol that we produce multiplied by the sales volume of produced methanol in the current year.*
2 *Calculated as the difference in delivered cash cost per tonne multiplied by the sales volume of produced methanol in the current year plus the change in selling, general and administrative expenses.*
3 *Calculated as the difference in the sales volume of methanol that we produce multiplied by the difference between the selling price and delivered cash cost per tonne for the prior year.*
4 *Calculated as the difference in the margins earned on the sale of purchased methanol.*
5 *Calculated as the difference in depreciation and amortization.*

Higher Realized Price of Produced Methanol

METHANEX AVERAGE REALIZED PRICE 2002–2003 ($ per tonne)

The average realized price for 2003 was $220 per tonne compared with $155 per tonne in 2002. The higher average realized price in 2003 increased operating income by $325 million compared with 2002. Consistent with general economic conditions, methanol prices were low during the first part of 2002. Methanol prices increased throughout 2002 as a result of planned and unplanned methanol plant outages. Continuing industry supply constraints resulted in tight market conditions and high methanol prices during 2003. These supply constraints include the loss of approximately 1.5 million tonnes of our own production in New Zealand as a result of the Maui natural gas field re-determination. Strong industry operating performance and slightly lower North American natural gas prices resulted in balanced market conditions and slightly lower methanol prices during the second half of 2003. We believe overall industry demand for 2003 remained consistent with 2002 as the impact of the phase-out of MTBE by California, New York and Connecticut gasoline producers was offset by increases in demand for methanol for MTBE elsewhere in the world as well as increases in demand for methanol for other chemical derivatives.

Higher Total Cash Cost

Our total cash cost was higher in 2003 compared with 2002 and this resulted in decreased operating income of $110 million. The primary changes in total cash costs were as follows:

2003 VS. 2002	($ MILLIONS)
Higher natural gas costs	73
Higher logistics costs	13
Higher costs resulting from higher methanol prices	9
Impact of production mix on average cash costs	10
Other, net	5
	110

Higher Natural Gas Costs

Higher natural gas costs decreased operating income by $73 million in 2003 compared with 2002. We purchase natural gas for our North American facilities on a short-term basis. North American gas prices are set in a competitive market and can fluctuate widely. Costs for natural gas were higher for our Kitimat facility in 2003 compared with 2002 and this decreased operating income by $33 million. Natural gas costs for our Chilean facilities are adjusted by a formula related to methanol prices. Higher natural gas costs in Chile, resulting from higher average methanol prices in 2003, decreased operating income by $27 million compared with 2002. As a result of the Maui gas field re-determination, we utilized higher cost gas in New Zealand for 2003 and this decreased operating income by $13 million.

Higher Logistics Costs

Logistics costs were higher in 2003 compared with 2002 and this decreased operating income by $13 million. Logistics costs increased primarily as a result of higher fuel costs for our ocean vessels and changes in shipping patterns due to reduced production in New Zealand.

Higher Costs Resulting from Higher Methanol Prices

We incur costs, in addition to natural gas, that are related to methanol prices. As a result of higher methanol prices in 2003 compared with 2002, these costs increased and this decreased operating income by $9 million.

Impact of Production Mix on Average Cash Costs

In addition to factors that increase or decrease cash costs at each of our manufacturing facilities and our logistics costs, our total cash costs per tonne of produced product sold is impacted by the proportion of production we sell from our low cost facilities. As a result of lower production and a lower proportion of sales from our low cost facilities in 2003, our operating income decreased by $10 million compared with 2002. The decrease is primarily a result of lower sales of New Zealand product due to the re-determination of the Maui natural gas field. This impact was partially offset by the acquisition of Titan in May 2003.

Lower Sales Volume of Produced Methanol

Our sales volume of produced methanol in 2003 has been impacted by lower production from our facilities in New Zealand; however, sales of production from Titan acquired in May 2003 have partially offset this impact. Lower sales volume of produced methanol decreased operating income for 2003 by $61 million compared with 2002.

Lower Margin on the Sale of Purchased Methanol

We purchase methanol at market prices in order to satisfy customer requirements. As a consequence, we incur holding gains or losses on the resale of this product depending on the methanol price at the time of resale. The cost for purchased methanol also includes allocated storage and handling costs. In 2003, we incurred a loss of $40 million on the sale of approximately 1,392,000 tonnes of purchased methanol compared with a loss of $8 million on the sale of approximately 809,000 tonnes of purchased methanol in 2002. Allocated storage and handling costs, which are included in the cost of purchased methanol, were $10 million in 2003 compared with $5 million in 2002.

Lower Depreciation and Amortization

Depreciation and amortization expense was $95 million in 2003 compared with $111 million in 2002. Depreciation expense was lower due primarily to reduced sales volume of produced methanol. In addition, we wrote off our Fortier facility at the end of 2002 and this has resulted in lower depreciation expense for 2003.

Interest Expense

($ MILLIONS)	2003	2002
Interest expense before capitalized interest	**59**	38
Capitalized interest	**(20)**	(9)
	39	29

The increase in interest expense relates primarily to an increase in the level of long-term debt.

Interest and Other Income

Interest and other income was $14 million in 2003 compared with $10 million in 2002.

Unusual Items

($ MILLIONS)	2003	2002
Asset restructuring charges	**139**	115
Write-off of plant and equipment under development	**40**	—
Site restoration adjustment	**—**	(27)
	179	88

During 2003, we recorded a non-cash asset impairment charge of $130 million to write down property, plant and equipment and related assets in New Zealand and Medicine Hat, Alberta. We also incurred costs and made payments of $9 million, primarily for employee termination benefits to reduce the workforce at our New Zealand operations by approximately 82 employees and for costs to re-mothball the Medicine Hat facility. The Medicine Hat facility has been idled since 2001 and was readied for a potential start-up in 2003. The asset restructuring charges reflect changed economics for natural gas in both New Zealand and North America and complete the restructuring of our assets not supported by long-term low cost natural gas supply.

During 2003, we also recorded a $40 million write-off of plant and equipment under development as a result of our decision to not proceed with the construction of a methanol plant in Western Australia.

During 2002, we recorded a non-cash asset restructuring charge of $115 million related to the write-off of our Fortier, Louisiana facility, which has been idled since March 1999. The Fortier asset restructuring charge was partially offset by a non-cash $27 million reduction in the accrual for site restoration for our New Zealand facilities.

Income Taxes

Unusual items recorded in 2003 and primarily all of the unusual items recorded in 2002 did not attract accounting income taxes. These unusual items were recorded in the United States, New Zealand and Australia, where accounting income and losses have not attracted significant accounting income taxes due to the existence of unrecognized tax benefits. As a result of higher unusual items recorded in 2003, the effective income tax rate was 92% compared with 49% in 2002.

Excluding the impact of unusual items, the effective income tax rate for 2003 was 31% compared with 20% for 2002. As a result of the reduction in our natural gas entitlements in New Zealand, and the resulting lower production levels, we earned a higher proportion of our 2003 earnings from product produced in Chile, where we record accounting income taxes, and this resulted in a higher effective income tax rate compared with 2002.

LIQUIDITY & CAPITAL RESOURCES

Cash Flow Highlights

($ MILLIONS)	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from operating activities[1]	330	245
Changes in non-cash working capital and utilization of prepaid natural gas	31	(55)
	361	190
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issue of long-term debt	47	298
Repayment of long-term debt	(41)	(150)
Shares repurchased	(89)	(56)
Dividend payments	(59)	(13)
Other, net	4	(9)
	(138)	70
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Titan Methanol Company, net of cash acquired	(74)	—
Capital maintenance, turnarounds and catalyst and other capital expenditures[2]	(37)	(21)
Plant and equipment under construction or development[2]	(204)	(146)
Other, net	(41)	(4)
	(356)	(171)
Increase (decrease) in cash and cash equivalents	(133)	89
Cash and cash equivalents, end of year	288	421

1 *Before changes in non-cash working capital and the utilization of prepaid natural gas.*
2 *Including the change in accounts payable and accrued liabilities related to capital expenditures.*

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash working capital and the utilization of prepaid natural gas were $330 million in 2003 compared with $245 million in 2002. The increase relates to higher operating income before depreciation and amortization, offset partially by the resulting increase in current income taxes and also higher interest expense.

The increase in cash flows from operating activities related to changes in non-cash working capital for 2003 of $31 million was primarily due to increases in accounts payable and accrued liabilities related to costs impacted by higher methanol prices and changes in the timing of payments.

Cash Flows from Financing Activities

Proceeds on issue of long-term debt in 2003 relate to our proportionate share of proceeds received from the Atlas limited recourse debt facilities.

Upon the acquisition of Titan in May 2003, we repaid $29 million of its limited recourse long-term debt. During 2003, we also made a scheduled payment of principal in the amount of $12 million.

NOVA Chemicals sold its ownership interest in Methanex during 2003 at a price of $9.85 per share. The sale was completed in part through a secondary offering of 37.9 million shares and in part through a share repurchase by Methanex of the remaining 9.0 million shares, for a cost of $89 million. We believe that this targeted buyback was a good use of excess cash. We believe that these transactions benefited our shareholders by reducing the number of common shares outstanding while at the same time increasing the public float of our stock.

We declare and pay dividends in United States dollars. During 2003, we paid total dividends of $59 million compared with $13 million in 2002. We initiated the payment of quarterly dividends of $0.05 per share in mid-2002 and during the third quarter of 2003, we announced a 20% increase in the quarterly dividend to $0.06 per share. In 2003, we also paid a special dividend of $0.25 per share.

Cash Flows from Investing Activities

In May 2003, we acquired the 850,000 tonne per year Titan Methanol Company facility in Trinidad for $74 million.

Capital maintenance and other capital expenditures for 2003, including changes in related accounts payable and accrued liabilities, were $37 million compared with $21 million in 2002. The increase relates primarily to the timing of planned capital maintenance and capital expenditures for information systems.

Plant and equipment under construction or development includes expenditures on the following projects, including changes in related accounts payable and accrued liabilities:

($ MILLIONS)	2003	2002
Atlas (Trinidad)	**73**	103
Chile IV (Chile)	**114**	23
Asia Pacific (Australia)	**17**	20
	204	146

During 2003, our proportionate share of capital expenditures for the Atlas project was $73 million. The Atlas project is expected to be completed in the second quarter of 2004. We estimate that our proportionate share of remaining capital expenditures to complete the construction of Atlas, including capitalized interest and funding of a debt service reserve account, will be approximately $56 million and that these expenditures will be funded from cash generated from operations, cash and cash equivalents and the proceeds from the limited recourse debt facilities. At December 31, 2003, we estimate that our remaining cash equity contribution to complete the construction of Atlas and fund the debt service reserve account will be approximately $44 million.

Chile IV, an 840,000 tonne per year expansion of our Chilean facilities, is expected to cost approximately $275 million, including capitalized interest of $25 million. As at December 31, 2003, total capital expenditures for the project were $142 million, including $6 million of capitalized interest. Construction of Chile IV is expected to be completed in early 2005. We anticipate that the remaining expenditures will be funded from cash generated from operations and cash and cash equivalents.

Over the period 2001 to 2003 we were developing a methanol facility in Western Australia. We incurred $17 million in development costs during 2003 prior to our decision to not proceed with the project. High capital costs prevented the project from providing an acceptable return on investment for our shareholders and we abandoned the project and wrote off the development costs totaling $40 million.

Other investing activities during 2003 primarily includes the cost of acquiring marketing and production rights in North America. We acquired certain production rights and exclusive rights to all methanol produced at Terra Industries' 700,000 tonne per year methanol facility in Texas and the related methanol contracts for $25 million. We also paid $10 million to acquire Lyondell Chemical's methanol customer contracts in North America, effective January 1, 2004.

Summary of Contractual Obligations, Commercial Commitments and Off-Balance Sheet Arrangements

The following table presents a summary of our contractual obligations and commercial commitments as at December 31, 2003:

($ MILLIONS)	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS	TOTAL
Long-term debt repayments	21	314	68	375	778
Repayments of other long-term liabilities	12	21	4	44	81
Natural gas and related commitments	211	362	376	3,027	3,976
Operating lease commitments	105	216	195	555	1,071
Projects under construction	136	33	—	—	169
	485	946	643	4,001	6,075

Planned capital maintenance expenditures directed towards major maintenance, turnarounds and catalyst changes are not included in the above table. We estimate that the total cost for the capital maintenance program will be approximately $80 million for the three-year period to the end of 2006.

We have a foreign exchange hedging program designed to limit our exposure to foreign exchange volatility and to contribute towards achieving strategic cost structure and revenue targets. At December 31, 2003, we have forward exchange contracts with a fair value of positive $31 million (see notes 16 and 17 to the consolidated financial statements). Gains and losses on forward exchange contracts are recognized as an adjustment to the related operating costs, revenue or capital expenditures when the hedged transactions are recorded. These contracts are not subject to rating triggers or margin calls and rank equally with all our unsecured and unsubordinated indebtedness.

Except for forward exchange contracts, we do not have any off-balance sheet arrangements at December 31, 2003 that have, or are reasonably likely to have, a current or future material effect on our results of operations or financial condition.

Long-Term Debt Repayments

We have $250 million of unsecured notes maturing in 2005. The remaining long-term debt repayments are for the minimum required principal repayments relating to the Atlas and Titan limited recourse long-term debt facilities.

Repayments of Other Long-Term Liabilities

Repayments of other long-term liabilities represent minimum required contractual obligations or, if the timing is not known, management's best estimate of the timing of repayment.

Natural Gas and Related Commitments

We have commitments under take-or-pay contracts to purchase annual quantities of natural gas supplies and to pay for transportation capacity related to these supplies. Take-or-pay means that we are obliged to pay for the natural gas regardless of whether we take delivery of the natural gas contracted. Such commitments are typical in the methanol industry.

In Chile, we purchase all of our natural gas through long-term take-or-pay supply contracts. The majority of the natural gas for our Chilean facilities is purchased from suppliers in Argentina that are affiliates of major international petrochemical companies, with the remainder supplied by Empresa Nacional del Petroleo de Chile, the Chilean state-owned energy company. The purchase price of natural gas is based on a minimum United States dollar price adjusted by a formula related to methanol prices. The natural gas contracts for our Chilean facilities expire over the period from 2025 to 2029.

In Trinidad, we have long-term take-or-pay supply contracts for natural gas. The purchase price of the natural gas is adjusted quarterly by a formula related to methanol prices. The Titan natural gas contract expires in 2014 and the Atlas natural gas contract has a term of 20 years.

In New Zealand, we purchase natural gas through take-or-pay and other purchase contracts reflecting the current market price for natural gas.

We do not have commitments for natural gas expenditures in North America as we purchase natural gas on a short-term basis. However, we do have commitments related to payments for pipeline transportation capacity related to supplying our Kitimat facility.

Operating Lease Commitments

The majority of these commitments relate to time charter ocean shipping agreements with terms of up to 15 years. Time charter vessels meet approximately 70 percent of our ocean shipping requirements with the remainder of our requirements secured under a mix of contracts with terms of one to two years and through spot arrangements. We believe this structure provides an appropriate mix of shipping capacity, reflecting factors such as the location of our production facilities, the location and restrictions of the destination ports, and the risks associated with production, customer requirements and the general shipping market.

Projects Under Construction

Projects under construction include our proportionate share of the estimated construction costs and funding of a debt service reserve fund for Atlas and the estimated construction costs for Chile IV. The timing of these estimated expenditures is subject to change. These estimates do not include capitalized interest.

Liquidity and Capitalization

We maintain financial policies that reflect the volatile and cyclical nature of methanol pricing. We focus on maintaining our financial strength and flexibility through prudent financial management.

($ MILLIONS)	2003	2002
LIQUIDITY		
Cash and cash equivalents	**288**	421
Undrawn credit facilities	**250**	291
	538	712
CAPITALIZATION		
Unsecured notes	**450**	450
Limited recourse debt facilities, including current portion	**328**	98
Total debt	**778**	548
Shareholders' equity	**784**	904
Total capitalization	**1,562**	1,452
Total debt to capitalization[1]	**50%**	38%
Net debt to capitalization[2]	**38%**	12%

1 *Defined as total debt divided by total capitalization.*
2 *Defined as total debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents.*

Our cash balance at December 31, 2003 was $288 million. In December 2003, we finalized a $250 million three-year revolving credit facility replacing the expiring facility, allowing us to maintain our strong and flexible financial position. The revolving credit facility was undrawn at December 31, 2003.

We improved our financial flexibility during 2003 by amending the restricted payments test in the covenants for our 2005 unsecured notes. We are able to pay cash dividends or make other shareholder distributions to the extent that Consolidated Net Worth (as defined in the indenture), which approximates our shareholders' equity plus $200 million, is equal to or greater than $850 million. At December 31, 2003, Consolidated Net Worth was approximately $985 million. If Consolidated Net Worth is less than $850 million, then the Company is limited to declaring and paying a maximum of $30 million of dividends in any twelve-month period.

We believe that our current financial position, combined with our low cost production capacity, provides us with the financial capacity to carry out our capital maintenance spending program, fund our remaining cash equity contribution to complete the Atlas project, complete the construction of Chile IV and pursue new opportunities to enhance our strategic position in methanol.

The credit ratings for our unsecured notes at December 31, 2003 were as follows:

Standard & Poor's	BBB- (stable)
Moody's Investor Service	Ba1 (stable)
Fitch	BBB (stable)

Credit ratings are not recommendations to purchase, hold or sell securities and do not comment on market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future.

RISK FACTORS & RISK MANAGEMENT

We believe our strategy of creating value through maintaining and enhancing our leadership in the production, marketing and delivery of methanol to our customers provides us with strategic advantages. However, as with any business, we are subject to risks that require prudent risk management. We believe the following risks to be among the most important in order to understand the issues that face our business and our approach to risk management.

Commodity Price Volatility

The methanol business is a highly competitive commodity industry and prices are affected by supply/demand fundamentals. Methanol prices have historically been, and are expected to continue to be, characterized by significant volatility. New methanol plants are expected to be built and this will increase overall production capacity. Additional methanol supply can also become available in the future by re-starting idle methanol plants, carrying out major expansions of existing plants or debottlenecking existing plants to increase their production capacity. Demand for methanol is in large part dependent upon levels of global gross domestic product and changes in general economic conditions.

Demand for Methanol in the Production of MTBE

Methanol for the production of MTBE represents approximately 20 percent of global methanol demand. MTBE is used primarily as a source of octane and as an oxygenate for gasoline. MTBE was developed as a source of octane when unleaded gasolines were introduced. Over the past several years, environmental concerns and legislation have also increased demand for MTBE as an oxygenate in gasoline in order to reduce automobile tailpipe emissions.

Concerns have been raised in the United States regarding the use of MTBE in gasoline. Gasoline containing MTBE has leaked into groundwater in the United States, principally from underground gasoline storage tanks, and has been discharged directly into drinking water reservoirs. MTBE is more easily detectable in water than other gasoline components. Despite the proven air quality benefits of MTBE, California and other states in the United States, as well as the United States federal government, have initiated actions that may limit, or even eliminate, the use of MTBE as a gasoline component in the United States, and this is a major issue for our industry. California, New York and Connecticut, all major consuming states, have passed legislation banning MTBE effective January 1, 2004 and we believe that as of December 31, 2003, MTBE has been substantially phased out from these states. We estimate that the remaining demand for methanol for MTBE production in the United States at January 1, 2004 is approximately 2.5 million tonnes per annum. At the US federal government level there have been legislative proposals to ban MTBE; however, to date no legislation has been passed. It is likely, however, that over time the demand for methanol for MTBE consumed in the United States will be reduced, or possibly eliminated, as a result of these developments. Limiting or eliminating the use of MTBE in gasoline in the United States will reduce demand for MTBE and methanol in the United States and negatively impact the viability of MTBE and methanol plants in the United States.

Elsewhere in the world, MTBE continues to be used as a source of octane, but with growing usage for its clean air benefits. We believe that there is potential for continuing growth of MTBE demand outside the United States. Our belief is based on the actions being taken around the world to reduce lead, benzene and other aromatics content in gasoline and to improve the emissions performance of vehicles generally. In December 2001, the European Union confirmed the suitability and continued use of MTBE as a fuel component. Implementation of clean air standards is continuing in Western Europe and the need for Central and Eastern European countries to have automotive fuels complying with European Union fuel emission standards also represents a large MTBE growth potential. Demand for MTBE in Asia, specifically Taiwan, Korea and China, is also increasing as many countries work towards removing lead and aromatics from gasoline to improve air quality. For example, the Chinese government introduced new gasoline specifications in July 2003 and since that time, we have witnessed a significant increase in MTBE imports to China. Also, we believe that the Middle East, particularly Iran, represents sizeable incremental demand potential for MTBE.

Security of Natural Gas Supply and Price

Natural gas is the principal feedstock for methanol and accounts for a significant portion of our cost of sales and operating expenses. Accordingly, our results from operations depend in large part on the availability and security of supply and the price of natural gas.

An important element of our strategy is to ensure security of natural gas supply at favourable prices. Over time, we have been reducing our reliance on North American production, where natural gas is purchased on a short-term basis and prices are extremely volatile, by selecting locations for new facilities where we can purchase natural gas through long-term contracts with favourable pricing. However, if we are unable to obtain continued access to sufficient natural gas for any of our plants on commercially acceptable terms, we could be forced to reduce production or close plants.

Operational Risks

Our business is subject to the risks of operating methanol production facilities, such as unforeseen equipment breakdowns, interruptions in the supply of natural gas, power failures, loss of port facilities or any other event, including any event of force majeure, which could result in a prolonged shutdown of any of our plants. We are also subject to environmental laws and regulations.

A focus on operational excellence in all areas of our business is a key element of our strategy. Through our Responsible Care program we believe we have achieved an excellent overall environmental and safety record at all of our facilities and have reduced the likelihood of unplanned shutdowns and lost-time incidents. As part of our overall risk management program we also maintain insurance, including business interruption insurance.

Projects under Construction

We are currently building the Atlas methanol plant in Trinidad and an expansion to our Chilean facility. While we believe our estimates of project costs and dates of anticipated completion are reasonable, there can be no assurance that the anticipated costs of these projects will not be exceeded or that these projects will commence operations within the contemplated schedules.

Foreign Operations

We are subject to risks inherent in foreign operations, including foreign currency risk, political and/or security risks.

The dominant currency in which we conduct business is the United States dollar, which is our reporting currency. At our production facilities in Chile, Trinidad, New Zealand and Canada, certain of the underlying operating costs and capital expenditures are incurred in currencies other than the United States dollar. We are exposed to increases in the value of these currencies that could have the effect of increasing the United States dollar equivalent of cost of sales and operating expenses and capital expenditures. We also have some revenues in Euros and British pounds. We are exposed to risks of declines in the value of these currencies compared to the United States dollar, which could have the effect of decreasing the United States dollar equivalent of revenue.

We have implemented a foreign exchange hedging program designed to limit our exposure to foreign exchange volatility and to contribute towards achieving strategic cost structure and revenue targets. We manage our exposure to foreign currencies through forward exchange contracts. These instruments are used solely for hedging purposes, not for speculation. Hedging activity is reviewed regularly by the Audit, Finance and Risk Committee of our Board.

OUTLOOK

Methanol is a global commodity and our earnings are primarily affected by fluctuations in the price of methanol, which is directly impacted by the balance of methanol supply and demand.

We are entering 2004 in an environment of tight methanol market conditions and strong pricing. We are seeing stronger demand growth, particularly in Asia, driven by the significant growth in industrial production in China. Global inventories are low and North American natural gas prices continue to be high. Also, the phase-out of MTBE in California, New York and Connecticut is largely behind us.

The 1.7 million tonne Atlas methanol facility, in which we have a 63.1% interest, is expected to be the first increment of new production in 2004. NPC in Iran is also planning for new capacity in 2004. We believe that the impact of planned new capacity additions for 2004 is likely to be largely offset by further shut-downs of high cost North American production and growth in global methanol demand. During 2004, we have certain production rights for the methanol plants owned by Lyondell and Terra Industries in Texas. Through these arrangements we are able to determine the level of production from these facilities, which have a combined annual capacity of approximately 1.5 million tonnes. These arrangements provide our supply chain with valuable flexibility as we bring two important increments of low cost capacity in Trinidad and Chile to market over the next year.

At December 31, 2003, global methanol capacity was approximately 38 million tonnes. A summary of significant methanol capacity additions where construction is known to be underway and which we expect to be completed during the period from 2004 to 2005 is as follows:

(CAPACITY FIGURES IN THOUSANDS OF TONNES)	CAPACITY	EXPECTED COMPLETION
Atlas – Methanex/BP (Trinidad)	1,700	2004
NPC 3 (Iran)	1,000	2004
Methanex Chile IV (Chile)	840	2005
SIPC (Saudi Arabia)	1,000	2005
MHTL M5 (Trinidad)	1,800	2005

There are also higher-cost small scale domestic methanol capacity additions expected in China and we estimate that net capacity additions in China over the period to the end of 2005 could be in the range of one to two million tonnes.

We believe that the impact of planned capacity additions will be largely offset by growth in the global demand for methanol and shut-downs of higher-cost production. A large portion of industry capacity is high cost, particularly in North America, Eastern and Western Europe and Asia. In addition, there is considerable uncertainty surrounding the operation of our methanol facilities in New Zealand after 2004.

In this environment we are continuing to focus on maximizing the value generated from our low cost facilities and maintaining our global market position. The methanol price will ultimately depend on industry operating rates, the rate of industry restructuring and the strength of global demand. We believe that our financial position and financial flexibility, outstanding global supply network and low cost position will ensure that Methanex continues to be the leader in the methanol industry.

CRITICAL ACCOUNTING ESTIMATES

We believe the following selected accounting policies and issues are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in our consolidated financial statements and related notes. See note 1 to our consolidated financial statements for our significant accounting policies.

Recoverability of Property, Plant and Equipment

Our business is capital intensive and has required, and will continue to require, significant investments in property, plant and equipment. At December 31, 2003, the net book value of our property, plant and equipment was $1,320 million. Recoverability of property, plant and equipment is measured by comparing the net book value of an asset to the undiscounted future net cash flows expected to be generated from the asset over its estimated remaining useful life. In cases where the undiscounted expected future cash flows from an asset are less than the net book value of the asset, a write-down is recognized equal to the difference.

A prolonged economic downturn impacting methanol demand, or an increase in supply, could intensify competitive pricing pressure, create an imbalance of industry supply and demand, or otherwise diminish volumes or profits. Such events would impact our estimates of future net cash flows to be generated by our production facilities. Consequently, it is possible that our future operating results could be materially and adversely affected by impairment charges related to the recoverability of our property, plant and equipment.

Site Restoration

As at December 31, 2003, we had accrued $28 million for obligations for future site restoration costs for those sites where a reasonably definitive estimate of the costs can be made. Inherent uncertainties exist because the restoration activities will take place, for the most part, many years in the future and there may be changes in governmental and environmental regulations, and changes in removal technology and costs. It is difficult to estimate the true costs of these activities as our estimates are based on today's regulations and technology. Because of uncertainties related to estimating future site restoration activities, future costs related to the currently identified sites could differ from the amounts estimated.

Future Income Taxes

Future income tax assets and liabilities are determined using enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We record a valuation allowance on future income tax assets, when appropriate, to reflect the uncertainty of realization of future income tax benefits. In determining the appropriate valuation allowance, certain judgments are made relating to the level of expected future taxable income and to available tax planning strategies and their impact on the utilization of existing loss carryforwards and other income tax deductions. In making this analysis, we consider historical profitability and volatility to assess whether we believe it to be more likely than not that the existing loss carryforwards and other income tax deductions will be utilized to offset future taxable income otherwise calculated. Management routinely reviews these judgments. At December 31, 2003, we had future income tax assets of $317 million that are substantially offset by a valuation allowance of $282 million.

ANTICIPATED CHANGES TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Stock Based Compensation

In October 2003, the Canadian Institute of Chartered Accountants (CICA) amended Handbook Section 3870, Stock Based Compensation and Other Stock Based Payments. The amended section requires recognition of an estimate of the fair value of stock based awards in earnings, rather than allowing note disclosure of pro forma income as if a fair value based method had been used. We will retroactively adopt the amended standard effective January 1, 2004 with restatement of the 2003 comparative figures. The cumulative adjustment on January 1, 2004 balances will increase contributed surplus and decrease retained earnings by $7.2 million, with no net effect on shareholders' equity. The adjustment represents the total compensation expense which would have been recorded had a fair value based method been used for stock options granted after January 1, 2002.

Asset Retirement Obligations

Effective January 1, 2004, we will adopt the new CICA recommendations for accounting for asset retirement obligations, which include site restoration costs. The new standard requires that obligations associated with the retirement of tangible long-lived assets and associated retirement costs be recognized at fair value in the period in which the obligation is incurred with a corresponding increase in the carrying amount of the related long-lived asset. The asset retirement obligation liability is increased at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the initial fair value measurement. We are currently evaluating the impact of adopting this new standard.

Impairment of Long-Lived Assets

Effective January 1, 2004, we will prospectively adopt the new CICA recommendations for accounting for the impairment of long-lived assets. A long-lived asset is an asset that does not meet the definition of a current asset. The new standard requires recognition of an impairment loss when the carrying value of a long-lived asset is not recoverable and exceeds its fair value. Under the new standard, an impairment loss is measured as the amount by which the carrying value of a long-lived asset exceeds its fair value. This new standard is not expected to have any impact on our consolidated financial position or results of operations on adoption.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with Canadian generally accepted accounting principles (GAAP), Methanex presents certain supplemental non-GAAP measures. These are EBITDA, income before unusual items (after-tax) and basic income before unusual items (after-tax) per share. These measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. These measures are provided to assist readers in evaluating the operating performance and liquidity of the Company's ongoing business. These measures should be considered in addition to, and not as a substitute for, net income, cash flows and other measures of financial performance and liquidity reported in accordance with GAAP.

Income Before Unusual Items (After-Tax) and Basic Income before Unusual Items (After-Tax) Per Share

These supplemental non-GAAP measures are provided to assist readers in comparing earnings from one period to another without the impact of unusual items that are considered to be non-operational and/or non-recurring. Basic income before unusual items (after-tax) per share has been calculated by dividing income before unusual items (after-tax) by the weighted average number of common shares outstanding.

The following table shows a reconciliation of net income to income before unusual items (after-tax) and the calculation of basic income before unusual items (after-tax) per share:

($ MILLIONS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS)	2003	2002
Net income	8	26
Add (deduct) unusual items:		
Asset restructuring charges	139	115
Write-off of plant and equipment under development	40	—
Site restoration adjustment	—	(27)
Income tax recovery related to the above items	—	(2)
Income before unusual items (after-tax)	187	112
Weighted average number of common shares outstanding (millions of shares)	123	127
Basic income before unusual items (after-tax) per share	1.52	0.89

EBITDA

This supplemental non-GAAP measure is provided to assist readers in determining the ability of Methanex to generate cash from operations. EBITDA differs from the most comparable GAAP measure, cash flows from operating activities, primarily because it does not include changes in non-cash working capital and the utilization of prepaid natural gas, cash flows related to interest, income taxes, asset restructuring charges and other unusual items.

The following table shows a reconciliation of cash flows from operating activities to EBITDA:

($ MILLIONS)	2003	2002
Cash flows from operating activities	361	190
Add (deduct):		
Changes in non-cash working capital and the utilization of prepaid natural gas	(31)	55
Other non-cash operating expenses	(13)	(10)
Asset restructuring charges – cash settlements	10	—
Interest expense	39	29
Interest and other income	(14)	(10)
Income taxes – current	40	16
EBITDA	392	270

QUARTERLY FINANCIAL DATA (UNAUDITED)

($ MILLIONS, EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED DEC. 31	SEP. 30	JUN. 30	MAR. 31
YEAR ENDED DECEMBER 31, 2003				
Revenue	**351.6**	**334.7**	**371.5**	**336.7**
Net income (loss)	**(110.2)**	**(7.8)**	**49.9**	**75.5**
Basic net income (loss) per share	**(0.92)**	**(0.06)**	**0.39**	**0.60**
Diluted net income (loss) per share	**(0.92)**	**(0.06)**	**0.38**	**0.58**
YEAR ENDED DECEMBER 31, 2002				
Revenue	307.0	296.5	223.6	181.7
Net income (loss)	(30.4)	58.5	15.7	(17.4)
Basic net income (loss) per share	(0.24)	0.47	0.12	(0.13)
Diluted net income (loss) per share	(0.24)	0.46	0.12	(0.13)

SELECTED ANNUAL INFORMATION

($ MILLIONS, EXCEPT PER SHARE AMOUNTS)	2003	2002	2001
Revenue	**1,394**	1,009	1,149
Net income	**8**	26	71
Basic and diluted net income per share	**0.06**	0.21	0.46
Cash dividends declared per share	**0.47**	0.10	—
Total assets	**2,082**	1,819	1,693
Total long-term financial liabilities	**826**	600	328

FORWARD-LOOKING STATEMENTS

Statements made in this document that are based on our current expectations, estimates and projections constitute forward-looking statements. Forward-looking statements are based on our experience and perception of trends, current conditions, expected future developments and other factors. By their nature, forward-looking statements involve uncertainties and risks that may cause the stated outcome to differ materially from the actual outcome.

Important factors that can cause anticipated outcomes to differ materially from actual outcomes include worldwide economic conditions; conditions in the methanol and other industries, including the supply and demand balance for methanol; actions of competitors; changes in laws or regulations; the ability to implement business strategies, pursue business opportunities and maintain and enhance our competitive advantages; the risks attendant with methanol production and marketing, including operational disruption; the risks associated with carrying out capital expenditure projects, including completing the Atlas and Chile IV projects on time and on budget; availability and price of natural gas feedstock; foreign exchange risk; raw material and other production costs; transportation costs; the ability to attract and retain qualified personnel; the risks associated with investments and operations in multiple jurisdictions and other risks which the Company may describe in publicly available documents filed from time to time with securities commissions.

Having in mind these and other factors, many of which are described in this document, readers are cautioned not to place undue reliance on forward-looking statements. The Company does not guarantee that anticipated outcomes made in forward-looking statements will be realized.

Consolidated Financial Statements

RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, have incorporated estimates based on the best judgment of management.

Management is responsible for the development of internal controls over the reporting process. Management believes that the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through the Audit, Finance and Risk Committee (the Committee). The Committee consists of five non-management directors, all of whom are independent as defined by the applicable rules in Canada and the United States. The Committee reviews the consolidated financial statements, annual report and management's discussion and analysis, and recommends them to the Board for approval. The Committee considers, for review by the Board and approval by the shareholders, the appointment of the external auditors. In addition, the Committee reviews and approves unaudited interim financial statements, news releases on interim financial results and the interim management's discussion and analysis before their distribution. The Committee meets regularly with management and the Company's auditors, KPMG LLP, Chartered Accountants, to discuss internal controls and significant accounting and financial reporting issues. KPMG have full and unrestricted access to the Committee.

KPMG have provided an independent professional opinion on the fairness of these consolidated financial statements. Their opinion is included in the annual report.

Brian D. Gregson
Chairman of the Audit, Finance and Risk Committee

March 5, 2004

Pierre Choquette
Chief Executive Officer and Chairman of the Board of Directors

Ian P. Cameron
Senior Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Methanex Corporation as at December 31, 2003 and 2002 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 5, 2004

Consolidated Balance Sheets

(thousands of US dollars, except number of shares)

AS AT DECEMBER 31	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 287,863	$ 421,387
Receivables (note 3)	220,871	201,037
Inventories	126,729	119,125
Prepaid expenses	14,852	12,079
	650,315	753,628
Property, plant and equipment (note 4)	1,320,227	979,935
Other assets (note 6)	111,258	85,748
	$ 2,081,800	$ 1,819,311
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 178,420	$ 136,035
Current maturities on long-term debt and other long-term liabilities	33,026	6,079
	211,446	142,114
Long-term debt (note 7)	756,185	547,224
Other long-term liabilities (note 8)	69,377	52,980
Future income taxes (note 14)	261,218	172,915
Shareholders' equity:		
Capital stock (note 9)	499,258	517,210
Issued and outstanding common shares at December 31, 2003 was 120,007,767 (2002 – 125,651,639)		
Retained earnings	284,316	386,868
	783,574	904,078
	$ 2,081,800	$ 1,819,311

See accompanying notes to consolidated financial statements.

Approved by the Board:

Brian D. Gregson
Director

Pierre Choquette
Director

Consolidated Statements of Income and Retained Earnings

(thousands of U.S. dollars, except number of common shares and per share amounts)

FOR THE YEARS ENDED DECEMBER 31	2003	2002
Revenue	$ 1,394,450	$ 1,008,792
Cost of sales and operating expenses	1,002,853	739,156
Depreciation and amortization	95,107	111,289
Operating income before undernoted items	296,490	158,347
Interest expense (note 11)	(38,815)	(28,972)
Interest and other income	13,843	10,365
Asset restructuring charges (note 12)	(139,352)	(115,387)
Write-off of plant and equipment under development (note 4)	(39,833)	—
Site restoration adjustment (note 8)	—	26,972
Income before income taxes	92,333	51,325
Income taxes (note 14):		
Current	39,586	16,465
Future	45,239	8,446
	84,825	24,911
Net income	7,508	26,414
Retained earnings, beginning of year	386,868	397,310
Excess of repurchase price over assigned value of common shares (note 9)	(51,523)	(24,349)
Dividend payments	(58,537)	(12,507)
Retained earnings, end of year	$ 284,316	$ 386,868
Weighted average number of common shares outstanding	122,961,809	126,610,754
Basic and diluted net income per share	$ 0.06	$ 0.21

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of US dollars)

FOR THE YEARS ENDED DECEMBER 31	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,508	$ 26,414
Add (deduct) non-cash items:		
Depreciation and amortization	95,107	111,289
Future income taxes	45,239	8,446
Asset restructuring charges (note 12)	129,565	115,387
Write-off of plant and equipment under development	39,833	—
Site restoration adjustment	—	(26,972)
Other	13,158	10,030
Cash flows from operating activities before undernoted changes	330,410	244,594
Changes in non-cash working capital (note 15)	28,405	(56,519)
Utilization of prepaid natural gas	2,149	2,034
	360,964	190,109
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on issue of limited recourse long-term debt	46,547	97,578
Proceeds on issue of unsecured notes	—	200,000
Repayment of long-term debt	(40,731)	(150,000)
Proceeds on issue of shares on exercise of stock options	19,173	10,684
Dividend payments	(58,537)	(12,507)
Payment for shares repurchased	(88,648)	(55,974)
Repayment of other long-term liabilities	(10,335)	(8,352)
Other	(6,135)	(11,772)
	(138,666)	69,657
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Titan Methanol Company, net of cash acquired (note 2)	(74,130)	—
Plant and equipment under construction or development	(206,968)	(142,245)
Property, plant and equipment	(35,982)	(17,913)
Accounts payable and accrued liabilities related to capital expenditures	1,522	(6,542)
Other assets	(40,264)	(3,808)
	(355,822)	(170,508)
Increase (decrease) in cash and cash equivalents	(133,524)	89,258
Cash and cash equivalents, beginning of year	421,387	332,129
Cash and cash equivalents, end of year	$ 287,863	$ 421,387
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	$ 34,278	$ 21,641
Income taxes paid, net of amounts refunded	$ 33,716	$ 3,147
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Long-term liability incurred on acquisition of property, plant and equipment	$ 12,976	$ —

See accompanying notes to consolidated financial statements.

1. *Significant accounting policies:*

(a) Basis of presentation:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and include the accounts of Methanex Corporation, its subsidiaries and its proportionate share of joint venture revenues, expenses, assets and liabilities. All significant intercompany transactions and balances have been eliminated. Preparation of these consolidated financial statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Policies requiring significant estimates are described below. Actual results could differ from those estimates.

(b) Reporting currency:

The majority of the Company's business is transacted in U.S. dollars and, accordingly, the consolidated financial statements have been measured and expressed in that currency.

(c) Cash equivalents:

Cash equivalents include securities with maturities of three months or less when purchased.

(d) Receivables:

The Company provides credit to its customers in the normal course of business. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Credit losses have been within the range of management's expectations.

(e) Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Financing costs incurred during construction are capitalized to the cost of the asset. Depreciation is provided on a straight-line basis, or, in the case of the New Zealand assets, on a unit-of-natural-gas consumption basis, from the commencement of commercial operations in order to amortize the cost of the assets over their estimated useful lives to estimated residual value.

The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, a write-down is recognized equal to the difference.

The Maui natural gas field was the primary gas supply source for the Company's New Zealand operations. In 2003, a final determination report of economically recoverable reserves of the Maui natural gas field in New Zealand was released by an independent expert, who was appointed by the parties to the Maui natural gas contract. Based on this report, the Company lost substantially all of its remaining contractual entitlements from the Maui field. As at December 31, 2003, the Company wrote down the New Zealand assets to estimated residual value.

Routine repairs and maintenance costs are expensed as incurred. At intervals of three or more years, the Company conducts a planned shutdown and inspection (turnaround) at its plants to perform major maintenance and replacements of catalyst. Costs associated with these shutdowns are amortized over the period until the next planned turnaround.

The Company accrues obligations for future site restoration costs where a reasonably definitive estimate of the costs can be made. The Company reviews and updates the estimate of site restoration costs on a periodic basis.

1. Significant accounting policies (continued):

(g) Interest in Atlas joint venture:

The Company's interest in the Atlas joint venture is accounted for using the proportionate consolidation method. Under this method, the Company's proportionate share of joint venture revenues, expenses, assets and liabilities is included in the consolidated financial statements.

(h) Other assets:

Marketing and production rights and deferred charges are capitalized to other assets and amortized to depreciation and amortization expense on an appropriate basis to charge the cost of the assets against earnings.

Natural gas prepayments are capitalized to other assets and are amortized to cost of sales and operating expenses on an appropriate basis to charge the cost of the assets against earnings as used.

Financing costs for long-term obligations are capitalized and amortized to interest expense over the term of the related liability.

Investments other than joint ventures and investments in which the Company exercises significant influence are accounted for using the cost method.

(i) Employee future benefits:

Accrued pension benefit obligations and related expenses for defined benefit pension plans are determined using current market bond yields to measure the accrued pension benefit obligation. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lifetime of the employee group. Gains or losses arising from plan curtailments and settlements are recognized in the year in which they occur.

The cost for defined contribution benefit plans is expensed as earned by the employees.

(j) Net income per share:

The Company calculates basic net income per share by dividing net income for the period by the weighted average number of outstanding common shares and calculates diluted net income per share under the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted net income per share assumes that the proceeds to be received on the exercise of dilutive stock options are applied to repurchase common shares at the average market price for the period. A stock option is dilutive only when the average market price of common shares during the period exceeds the exercise price of the stock option.

A reconciliation of the weighted average number of common shares outstanding is as follows:

	2003	2002
Denominator for basic net income per share	**122,961,809**	126,610,754
Effect of dilutive stock options	**2,669,700**	2,191,220
Denominator for diluted net income per share	**125,631,509**	128,801,974

1. *Significant accounting policies (continued):*

(k) Stock option plan:

The Company has a stock option plan that is described in note 10. The Company recognizes no compensation expense for stock option grants to employees and directors that are not direct awards of stock, stock appreciation rights or otherwise call for settlement in cash or other assets. Any consideration received on the exercise of stock options is credited to share capital. The Company has provided pro forma disclosure in note 10(a) as if a fair value based method had been used to measure compensation expense for stock option grants to employees and directors. A fair value based method requires equity instruments awarded to employees and the cost of the service received as consideration to be measured and recognized based on an estimate of the fair value of the equity instruments issued. Compensation expense is recognized over the period of related employee service, usually the vesting period of the equity instrument awarded. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant.

(l) Deferred share units:

Directors and executive officers of the Company may elect to receive some elements of their compensation in the form of notional deferred share units. The number of deferred share units allotted is determined by the amount of compensation elected to be invested in the deferred share units divided by the market value of the Company's common shares at the time the compensation is earned. Holders of deferred share units are entitled to dividend equivalents in the form of additional deferred share units. Deferred share units are redeemable for cash, based on the market value of the Company's common shares. Changes in fair value of the deferred share units are recognized in earnings.

(m) Restricted share units:

Executive officers may elect to receive either 50% or 100% of the value of their annual long-term incentive award in the form of restricted share units, and directors are granted restricted share units as part of their compensation. Restricted share units are grants of notional shares that are non-dilutive to shareholders. Holders of restricted share units are entitled to dividend equivalents in the form of additional restricted share units. Upon vesting, restricted share units are redeemed for cash at a value based on the trading price of the Company's common shares. Compensation expense for restricted share units is measured at fair value, based on the market value of the Company's common shares at the date of grant, and is recognized, together with changes in fair value, over the period from the date of grant to the date of vesting.

(n) Revenue recognition:

Revenue is generally recognized as risk and title to the product transfers to the customer, which usually occurs at the time shipment is made.

(o) Foreign currency translation:

The Company translates foreign currency denominated monetary items at the rates of exchange prevailing at the balance sheet dates and revenues and expenditures at average rates of exchange during the year. Foreign exchange gains or losses are included in earnings.

(p) Financial instruments:

A substantial portion of the Company's business is transacted in its reporting currency, the U.S. dollar. At the Company's Canadian, New Zealand, Trinidad and Chilean production facilities, certain of the underlying operating costs and capital expenditures are incurred in currencies other than the U.S. dollar. In addition, certain revenues in Europe are realized in the Euro or the British pound. The Company uses derivative financial instruments to reduce its exposure to fluctuations in foreign exchange on certain committed and anticipated transactions to contribute to achieving cost structure and revenue targets. The Company does not utilize derivative financial instruments for trading or speculative purposes.

The Company formally documents all relationships between derivative financial instruments and hedged items, as well as the risk management objective and strategy. The Company assesses, on an ongoing basis, whether the derivative financial instruments continue to be effective in offsetting changes in fair values or cash flows of the hedged transactions.

1. *Significant accounting policies (continued):*

(p) Financial instruments (continued):

Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated or committed U.S. dollar denominated exposures are recognized as an adjustment to the related operating costs, revenue or capital expenditures when the hedged transaction is recorded.

Gains and losses on natural gas financial instruments used to hedge natural gas exposures are recognized as an adjustment to the related hedged transaction when realized.

Premiums paid or received with respect to derivative financial instruments are deferred and amortized to income over the effective period of the contracts.

(q) Income taxes:

Future income taxes are accounted for using the asset and liability method. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates that are expected to be in effect when the underlying items of income and expense are expected to be realized. The effect of a change in tax rates is recognized in the period of substantive enactment. Future tax benefits, such as non-capital loss carryforwards, are recognized to the extent that realization of such benefits is considered to be more likely than not.

The Company does not accrue for taxes that will be incurred upon distributions from its subsidiaries unless it is probable that the earnings will be repatriated.

2. *Business combination:*

Effective May 1, 2003, the Company acquired the remaining 90% interest in Titan Methanol Company ("Titan"). Titan's principal asset is an 850,000 tonne per year methanol facility in Trinidad. The Company had acquired a 10% interest in Titan in 2000. The acquisition has been accounted for under the purchase method of accounting with its results of operations consolidated from the date of acquisition. The Company's 100% interest in the net assets at fair values at the date of acquisition is as follows:

Net assets acquired:		
Cash	$	4,384
Other current assets		35,323
Property, plant and equipment		327,480
Other assets – debt service reserve account		9,874
Current liabilities, excluding current portion of long-term debt		(11,969)
Other long-term liabilities – interest rate swap contract		(10,055)
Long-term debt, including current portion		(222,959)
Future income taxes		(43,064)
	$	89,014

Consideration, including costs on acquisition:		
Cash	$	78,514
Carrying value of original 10% investment in Titan (note 6)		10,500
	$	89,014

3. *Receivables:*

	2003	2002
Trade	$ 167,749	$ 169,228
Income and other taxes receivable	19,380	10,366
Other	33,742	21,443
	$ 220,871	$ 201,037

4. *Property, plant and equipment:*

	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
December 31, 2003			
Plant and equipment	**$ 2,482,673**	**$ 1,563,032**	**$ 919,641**
Plant and equipment under construction	**377,840**	**—**	**377,840**
Other	**48,827**	**26,081**	**22,746**
	$ 2,909,340	**$ 1,589,113**	**$ 1,320,227**
December 31, 2002			
Plant and equipment	$ 2,111,575	$ 1,363,277	$ 748,298
Plant and equipment under construction or development	210,705	—	210,705
Other	41,548	20,616	20,932
	$ 2,363,828	$ 1,383,893	$ 979,935

During 2003, the Company recorded a write-off of plant and equipment under development in the amount of $39.8 million related to the decision to not proceed with the development of a methanol plant located in Western Australia.

5. *Interest in Atlas joint venture:*

The Company has a 63.1% joint venture interest in Atlas Methanol Company ("Atlas"). The joint venture is constructing a 1.7 million tonne per year methanol plant in Trinidad. Construction is expected to be completed in the second quarter of 2004.

These consolidated financial statements include the following amounts representing the Company's proportionate interest in the Atlas joint venture:

	2003	2002
Consolidated Balance Sheets:		
Cash and cash equivalents	$ 18,429	$ 7,168
Other current assets	2,443	1,349
Property, plant and equipment	235,718	161,808
Other assets	5,996	5,996
Current liabilities	4,486	3,847
Limited recourse long-term debt (note 7)	144,125	97,578
Consolidated Statements of Cash Flows:		
Cash inflows from financing activities	46,547	91,582
Cash outflows from investing activities	74,365	102,520

To December 31, 2003, the joint venture had no revenue and all expenditures were capitalized.

6. *Other assets:*

		2003	2002
Marketing and production rights, net of accumulated amortization:			
North America	$	42,548	$ 6,635
Caribbean		17,418	19,907
Europe		7,087	8,340
		67,053	34,882
Restricted cash for debt service reserve account (note 7)		14,258	—
Deferred financing costs, net of accumulated amortization		13,560	13,159
Deferred charges, net of accumulated amortization		5,121	5,762
Investment in Titan Methanol Company, at cost (note 2)		—	10,500
Natural gas prepayments		—	10,464
Other		11,266	10,981
	$	111,258	$ 85,748

Amortization of marketing and production rights and deferred charges included in depreciation and amortization was $7.2 million (2002 — $7.7 million). Amortization of deferred financing costs included in interest expense was $1.3 million (2002 — $1.2 million).

7. *Long-term debt:*

Long-term debt includes unsecured notes of the Company, limited recourse long-term debt of Titan and the Company's proportionate share of limited recourse long-term debt of the Atlas joint venture. The debt of Titan and Atlas are described as limited recourse as they are secured only by the assets of the related subsidiary or joint venture.

		2003	2002
Unsecured notes:			
i) 7.75% due August 15, 2005 (effective yield 7.83%)	$	249,783	$ 249,646
ii) 8.75% due August 15, 2012 (effective yield 8.75%)		200,000	200,000
		449,783	449,646
Atlas Methanol Company – limited recourse facilities:			
i) Senior commercial bank loan facility to a maximum amount of $72 million with interest rates based on LIBOR plus a spread ranging from 2.25% to 2.75%. Principal will be paid in twelve semi-annual payments commencing six months after the earlier of completion of construction and December 31, 2004.		64,203	43,513
ii) Senior secured notes to a maximum amount of $63 million bearing an interest rate based on the yield to maturity on a ten-year U.S. treasury security plus 3.85% with semi-annual interest payments. Principal will be paid in twelve semi-annual payments commencing six years after the earlier of completion of construction and December 31, 2004.		56,229	38,432
iii) Senior fixed rate bonds to a maximum amount of approximately $15 million bearing an interest rate of 8.25% with semi-annual interest payments. Principal will be paid in four semi-annual payments commencing eleven years after the earlier of completion of construction and December 31, 2004.		15,144	9,825
iv) Subordinated loans to a maximum amount of $9 million with an interest rate based on LIBOR plus a spread ranging from 2.25% to 2.75%. Principal will be paid in twenty semi-annual payments commencing six years after the earlier of completion of construction and December 31, 2004.		8,549	5,808
		144,125	97,578

7. *Long-term debt (continued):*

	2003	2002
Titan Methanol Company – limited recourse facilities:		
i) Senior loans with an average fixed interest rate of 7.4%. Principal and interest is repayable by semi-annual payments. The loans mature in April 2010.	50,810	—
ii) Senior commercial bank loan facility and senior loans with interest rates based on LIBOR plus a spread ranging from 0.75% to 2.25%. Principal and interest is repayable by semi-annual payments. The loan matures in April 2010.	62,556	—
iii) Senior revolving working capital facilities to a maximum amount of $35 million with interest payable semi-annually and interest rates based on LIBOR plus a spread of 3%. The facilities expire in 2010.	25,000	—
iv) Senior liquidity support facility, to a maximum amount of $22 million, with interest payable semi-annually and interest rates based on LIBOR plus a spread of 3%. Principal is repayable over time from available cash flows of Titan in accordance with the terms of the agreement. The facility expires in 2008.	15,367	—
v) Subordinated loans with current interest rates based on LIBOR plus 4%. Principal and interest is scheduled to be repaid semi-annually over the period to 2010. To date, payments have not been made. Principal and interest is payable from the available cash flows of Titan following full repayment of the senior liquidity support facility.	29,905	—
	183,638	—
	777,546	547,224
Less current maturities	(21,361)	—
	$ 756,185	$ 547,224

The aggregate amount of minimum principal payments required in each of the next five years for long-term debt is as follows:

2004	2005	2006	2007	2008
$ 21,361	$ 278,540	$ 35,596	$ 35,596	$ 32,846

The Company has available an unsecured revolving bank facility of $250 million that expires in December 2006. This facility ranks pari passu with the unsecured notes.

Under the terms of the senior limited recourse debt facilities, Titan is required to maintain a debt service reserve account (note 6). The debt service reserve account requirements are based on six months principal and interest for the senior limited recourse debt facilities. The debt service reserve account is fully funded at December 31, 2003.

8. *Other long-term liabilities:*

	2003	2002
Site restoration	$ 27,980	$ 28,879
Consideration payable for acquisition of assets	13,533	—
Interest rate swap contract	8,275	—
Fortier asset restructuring	5,648	10,230
Restricted and deferred share units	5,565	3,010
Other	20,041	16,940
	81,042	59,059
Less current maturities	(11,665)	(6,079)
	$ 69,377	$ 52,980

8. *Other long-term liabilities (continued):*

The Company has accrued $28.0 million (2002 — $28.9 million) for obligations for future site restoration costs for those sites where a reasonably definitive estimate of the costs can be made. During 2002, after completing a comprehensive review and analysis to update the previous estimate, the Company recorded a $27 million reduction in the accrual for site restoration for the New Zealand facility. Cash expenditures in 2003 relating to site restoration costs were $0.9 million (2002 — nil) and were applied against the site restoration accrual. Cash expenditures expected for 2004 are approximately $1.5 million. Because of uncertainties related to estimating future site restoration activities, future costs related to the currently identified sites could differ from the amounts estimated.

Consideration payable for acquisition of the ammonia production assets located adjacent to the Company's methanol production assets in Kitimat, British Columbia is payable over the period to December 31, 2005.

9. *Capital stock:*

(a) Authorized share capital:

25,000,000 preferred shares without nominal or par value; and

Unlimited number of common shares without nominal or par value.

(b) Restricted dividend and shareholder distributions covenant:

Under a covenant set out in the indenture to the 7.75% notes due August 15, 2005, as amended, the Company can pay cash dividends or make other shareholder distributions to the extent that Consolidated Net Worth (as defined in the indenture), which approximates shareholders' equity plus $200 million, is equal to or greater than $850 million. At December 31, 2003, Consolidated Net Worth was approximately $985 million. If Consolidated Net Worth is less than $850 million, then the Company is limited to declaring and paying a maximum of $30 million of dividends in any twelve-month period.

(c) Issued and outstanding capital stock:

Changes in the capital stock of the Company during the period January 1, 2002 to December 31, 2003 were as follows:

	NUMBER OF COMMON SHARES	CONSIDERATION
Balance, December 31, 2001	131,167,942	$ 538,151
Issued on exercise of stock options	2,191,697	10,684
Shares repurchased	(7,708,000)	(31,625)
Balance, December 31, 2002	125,651,639	$ 517,210
Issued on exercise of stock options	3,356,128	19,173
Shares repurchased	(9,000,000)	(37,125)
Balance, December 31, 2003	**120,007,767**	**$ 499,258**

During 2002 and 2003, the Company repurchased for cancellation, common shares at prices in excess of their assigned value. The cost to acquire the shares in the amount of $88.6 million (2002 — $56.0 million) was allocated $37.1 million (2002 — $31.6 million) to capital stock and $51.5 million (2002 — $24.4 million) to retained earnings.

10. Stock based compensation:

The Company provides stock based compensation to its directors and certain employees through grants of stock options and deferred or restricted share units.

(a) Stock options:

There are two types of options granted under the stock option plan: incentive stock options and performance stock options. At December 31, 2003, the Company had 0.9 million common shares reserved for future stock option grants to its directors and employees under the Company's stock option plan.

i) Incentive stock options:

The exercise price of each incentive stock option is equal to the quoted market price of the Company's common shares at the date of the grant. An option's maximum term is ten years; one-half of the options vest one year after the date of the grant, with a further vesting of one-quarter of the options per year over the subsequent two years.

Common shares reserved for outstanding incentive stock options at December 31, 2003 and 2002 are as follows:

	OPTIONS DENOMINATED IN CAD $		OPTIONS DENOMINATED IN US $	
	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 2001	8,690,750	$ 10.09	—	$ —
Granted	—	—	2,474,000	6.47
Exercised	(1,728,897)	8.37	—	—
Cancelled	(113,525)	9.85	(42,000)	6.45
Outstanding at December 31, 2002	6,848,328	$ 10.53	2,432,000	$ 6.47
Granted	—	—	1,194,000	9.23
Exercised	(2,121,178)	8.89	(447,950)	6.47
Cancelled	(44,375)	10.35	(72,500)	7.56
Outstanding at December 31, 2003	**4,682,775**	**$ 11.27**	**3,105,550**	**$ 7.51**

	STOCK OPTIONS OUTSTANDING AT DECEMBER 31, 2003			STOCK OPTIONS EXERCISABLE AT DECEMBER 31, 2003	
RANGE OF EXERCISE PRICES	NUMBER OF STOCK OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
Options denominated in CAD $					
$ 3.29 to 5.85	**349,100**	**5.8**	**$ 4.23**	**349,100**	**$ 4.23**
9.56 to 11.60	**3,033,325**	**5.3**	**10.26**	**2,320,194**	**10.47**
13.65 to 14.63	**1,100,350**	**2.4**	**14.04**	**1,100,350**	**14.04**
23.75	**200,000**	**0.8**	**23.75**	**200,000**	**23.75**
	4,682,775	**4.5**	**$ 11.27**	**3,969,644**	**$ 11.58**
Options denominated in US $					
$ 6.45	**1,918,550**	**8.2**	**$ 6.45**	**736,800**	**$ 6.45**
8.79 to 9.23	**1,187,000**	**9.2**	**9.22**	**9,500**	**8.81**
	3,105,550	**8.6**	**$ 7.51**	**746,300**	**$ 6.48**

10. Stock based compensation (continued):

ii) Performance stock options:

Common shares reserved for outstanding performance stock options at December 31, 2003 and 2002 are as follows:

	NUMBER OF STOCK OPTIONS	AVERAGE EXERCISE PRICE (CAD $)
Outstanding at December 31, 2001	2,125,000	$ 4.47
Exercised	(462,800)	4.47
Outstanding at December 31, 2002	1,662,200	$ 4.47
Exercised	(787,000)	4.47
Outstanding at December 31, 2003	**875,200**	**$ 4.47**

The vesting of the performance stock options is tied to the market value of the Company's common shares subsequent to the date of grant. The performance stock options expire September 9, 2009. As at December 31, 2003, 210,200 outstanding performance stock options have vested and are exercisable. The remaining 665,000 options will vest if the Company's shares trade at or above CAD$20 per share.

iii) Fair value disclosures:

If the fair value based method, as described in note 1(k), had been used to measure and recognize stock based compensation, the Company's net income and net income per share for the years ended December 31, 2003 and 2002 would have been as follows:

	2003	2002
Net income — as reported	**$ 7,508**	$ 26,414
Stock compensation expense	**(3,790)**	(3,444)
Net income — pro forma	**$ 3,718**	$ 22,970
Basic and diluted net income per share — as reported	**$ 0.06**	$ 0.21
Basic and diluted net income per share — pro forma	**$ 0.03**	$ 0.18

The pro forma amounts exclude the effect of stock options granted prior to January 1, 2002.

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2003	2002
Risk-free interest rate	**5%**	5%
Expected dividend yield	**2%**	—
Expected life of option	**5 years**	5 years
Expected volatility	**35%**	35%
Weighted average fair value of options granted ($US/share)	**$ 2.59**	$ 2.46

10. Stock based compensation (continued):

(b) Deferred and restricted share units:

Deferred and restricted share units outstanding at December 31, 2003 and 2002 are as follows:

	NUMBER OF DEFERRED SHARE UNITS	NUMBER OF RESTRICTED SHARE UNITS
Outstanding at December 31, 2002	309,659	—
Granted	40,684	534,000
Dividend equivalents	16,046	10,882
Redeemed	—	(44,242)
Outstanding at December 31, 2003	**366,389**	**500,640**

At the date of grant the fair value of the restricted share units, based on the market value of the Company's common shares, was $4.7 million. During 2003, we recorded $1.6 million of compensation expense related to the restricted share units. Restricted share units vest approximately three years after the date of grant. Under certain circumstances, such as retirement, vesting occurs at an earlier date. Restricted share units outstanding at December 31, 2003 vest on December 1, 2005.

11. Interest expense:

	2003	2002
Interest expense before capitalized interest	**$ 58,991**	$ 38,314
Less capitalized interest	**(20,176)**	(9,342)
	$ 38,815	$ 28,972

12. Asset restructuring charges:

	2003	2002
Non-cash settlements:		
Asset impairment charges	**$ 129,565**	$ 108,704
Other	**—**	6,683
	129,565	115,387
Cash settlements:		
Employee and contract termination costs	**8,129**	—
Other	**1,658**	—
	9,787	—
	$ 139,352	$ 115,387

During the fourth quarter of 2003, the Company recorded a non-cash asset impairment charge totaling $129.6 million relating to the carrying value of property, plant and equipment and related assets in New Zealand and Medicine Hat, Alberta. The Company also incurred costs and made payments of $9.8 million primarily for employee termination benefits to reduce the workforce at the Company's New Zealand operations by 82 employees and for costs to re-mothball the Medicine Hat facility.

During the fourth quarter of 2002, the Company recorded an asset restructuring charge of $115.4 million related to the write-off of the Fortier, Louisiana methanol facility, which had been idle since 1999.

13. *Segmented information:*

The Company's operations consist of the production and sale of methanol, which constitutes a single operating segment.

Revenues attributed to geographic regions, based on location of customers, are as follows:

	CANADA	UNITED STATES	JAPAN	OTHER ASIA	EUROPE	LATIN AMERICA	TOTAL
Revenue:							
2003	**$ 57,354**	**$ 424,757**	**$ 182,260**	**$ 306,541**	**$ 320,211**	**$ 103,327**	**$ 1,394,450**
2002	39,580	300,203	127,107	240,423	225,072	76,407	1,008,792

Net book value of property, plant and equipment by country is as follows:

	CANADA	NEW ZEALAND	CHILE	TRINIDAD	OTHER	TOTAL
Property, plant and equipment:						
2003	**$ 37,349**	**$ 15,054**	**$ 702,732**	**$ 555,277**	**$ 9,815**	**$ 1,320,227**
2002	72,237	98,833	612,575	161,808	34,482	979,935

14. *Income and other taxes:*

(a) Income tax expense:

The Company operates in several tax jurisdictions and therefore its income is subject to various rates of taxation. Income tax expense differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to income before taxes. These differences are as follows:

	2003	2002
Canadian statutory tax rate	**36%**	40%
Computed 'expected' tax expense	**$ 33,240**	$ 20,530
Increase (decrease) in tax resulting from:		
Income taxed in foreign jurisdictions	**(36,223)**	(34,254)
Losses not tax-effected	**103,618**	76,502
Previously unrecognized loss carryforwards and temporary differences	**(1,854)**	(18,800)
Non-taxable income and non-deductible expenses	**(9,348)**	(15,491)
Other	**(4,608)**	(3,576)
Total income tax expense	**$ 84,825**	$ 24,911

14. Income and other taxes (continued):

(b) Net future income tax liability:

The tax effect of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2003	2002
Future income tax liabilities:		
Property, plant and equipment	$ 198,240	$ 163,427
Other	98,310	37,989
	296,550	201,416
Future income tax assets:		
Non-capital loss carryforwards	232,012	156,355
Property, plant and equipment	54,974	29,776
Other	29,846	22,106
	316,832	208,237
Future tax asset valuation allowance	(281,500)	(179,736)
	35,332	28,501
Net future income tax liability	$ 261,218	$ 172,915

At December 31, 2003, the Company had non-capital loss carryforwards available for tax purposes of $571 million in Canada and the United States, $27 million in New Zealand and $49 million in Australia. In Canada and the United States these loss carryforwards expire between 2006 and 2023. In New Zealand and Australia the loss carryforwards do not have an expiry date.

15. Changes in non-cash working capital:

Changes in non-cash working capital related to operating activities for the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Receivables	$ 1,732	$ (65,818)
Inventories	552	(19,603)
Prepaid expenses	(2,773)	(3,394)
Accounts payable and accrued liabilities	28,894	32,296
Decrease (increase) in non-cash working capital	$ 28,405	$ (56,519)

For the year ended December 31, 2003, the changes in non-cash working capital exclude the non-cash working capital acquired on the purchase of Titan.

16. *Derivative financial instruments:*

The Company's forward exchange contracts in Euros (EUR), British pounds (GBP), New Zealand dollars (NZD) and Chilean pesos (CLP) at December 31, 2003 are as follows:

		NOTIONAL AMOUNT	AVERAGE EXCHANGE RATE	MATURITY
Purchase contracts:				
Forward exchange contracts	NZD	180 million	$ 0.4928	2004
Forward exchange contracts	EUR	31 million	$ 0.9943	2004–2005
Forward exchange contracts	CLP	8 billion	$ 0.0016	2004
Sales contracts:				
Forward exchange contracts	EUR	9 million	$ 1.1652	2004
Forward exchange contracts	GBP	7 million	$ 1.7052	2004
Forward exchange contracts	CLP	12 billion	$ 0.0015	2004

The Company has an interest rate swap contract with a notional principal amount of $65 million at December 31, 2003. The interest rate swap contract was acquired on purchase of Titan, effective May 1, 2003, and was recognized at its fair value of negative $10.1 million. Under the contract, the Company receives floating-rate LIBOR amounts in exchange for payments based on a fixed interest rate of 6.6%. The contract matures over the period to 2010.

17. *Fair value disclosures:*

The carrying values and fair values of the Company's financial instruments are as follows:

	2003		2002	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Long-term debt	$ (777,546)	$ (816,000)	$ (547,224)	$ (566,000)
Derivative financial instruments:				
Forward exchange contracts	$ —	$ 31,226	$ —	$ 1,632
Interest rate swap contract	$ (8,275)	$ (7,920)	$ —	$ —

Included in the fair value of the derivative financial instruments referred to in the table above were unrealized gains of $23.3 million (2002 — losses of $2.8 million) related to forward exchange contracts that hedge anticipated New Zealand, Chilean and European operating costs or revenues for which there is not a contractual agreement in place.

17. Fair value disclosures (continued):

The fair value of the Company's long-term debt and limited recourse long-term debt is estimated by reference to current market prices for other debt securities with similar terms and characteristics. The fair values of the Company's forward exchange contracts and interest rate swap contract are determined based on quoted market prices received from counterparties. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in foreign exchange rates and interest rates. The unrealized gains and losses on these derivative financial instruments will be included in the measurement of the related hedged transaction when realized.

The carrying values of cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities and other long-term liabilities meeting the definition of a financial instrument approximate their fair values.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparties to fail to meet their obligations. The Company deals with only highly rated counterparties, normally major financial institutions. The Company is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum amount that would be at risk if the counterparties failed completely to perform under the contracts was $34.9 million at December 31, 2003 (2002 — $3.4 million).

18. Retirement plans:

(a) Defined benefit pension plans:

The Company has non-contributory defined benefit pension plans covering certain employees. At December 31, 2003, the estimated present value of accrued pension benefits was $27.4 million (2002 — $19.2 million) and the market value of the plan's assets was $26.2 million (2002 — $17.3 million).

Actuarial reports for the Company's defined benefit pension plans are prepared regularly by independent actuaries for accounting and funding purposes. The actuarial assumptions used in accounting for the defined benefit pension plans as at December 31, 2003 and 2002 are as follows:

	2003	2002
Actuarial assumptions as at December 31:		
Discount rate	**6.25%**	6.50%
Expected long-term rate of return on plan assets	**7.50%**	8.00%
Rate of increase in future compensation	**4.00%**	4.00%

(b) Defined contribution pension plans:

The Company has defined contribution pension plans. The Company's funding obligations under the defined contribution pension plans are limited to making regular payments to the plans, based on a percentage of employee earnings.

(c) Pension expense:

Total net pension expense for the defined benefit and defined contribution pension plans charged to operations during the year was $6.4 million (2002 — $5.9 million).

19. Commitments:

(a) Take-or-pay purchase contracts and related commitments:

The Company has commitments under take-or-pay contracts to purchase annual quantities of feedstock supplies and to pay for transportation capacity related to these supplies to 2029. The minimum estimated commitment under these contracts is as follows:

2004	2005	2006	2007	2008	THEREAFTER
$ 210,860	$ 179,530	$ 182,950	$ 183,140	$ 193,230	$ 3,027,050

(b) Operating leases:

The Company has future minimum lease payments under operating leases relating primarily to vessel charter, terminal facilities, office space and equipment as follows:

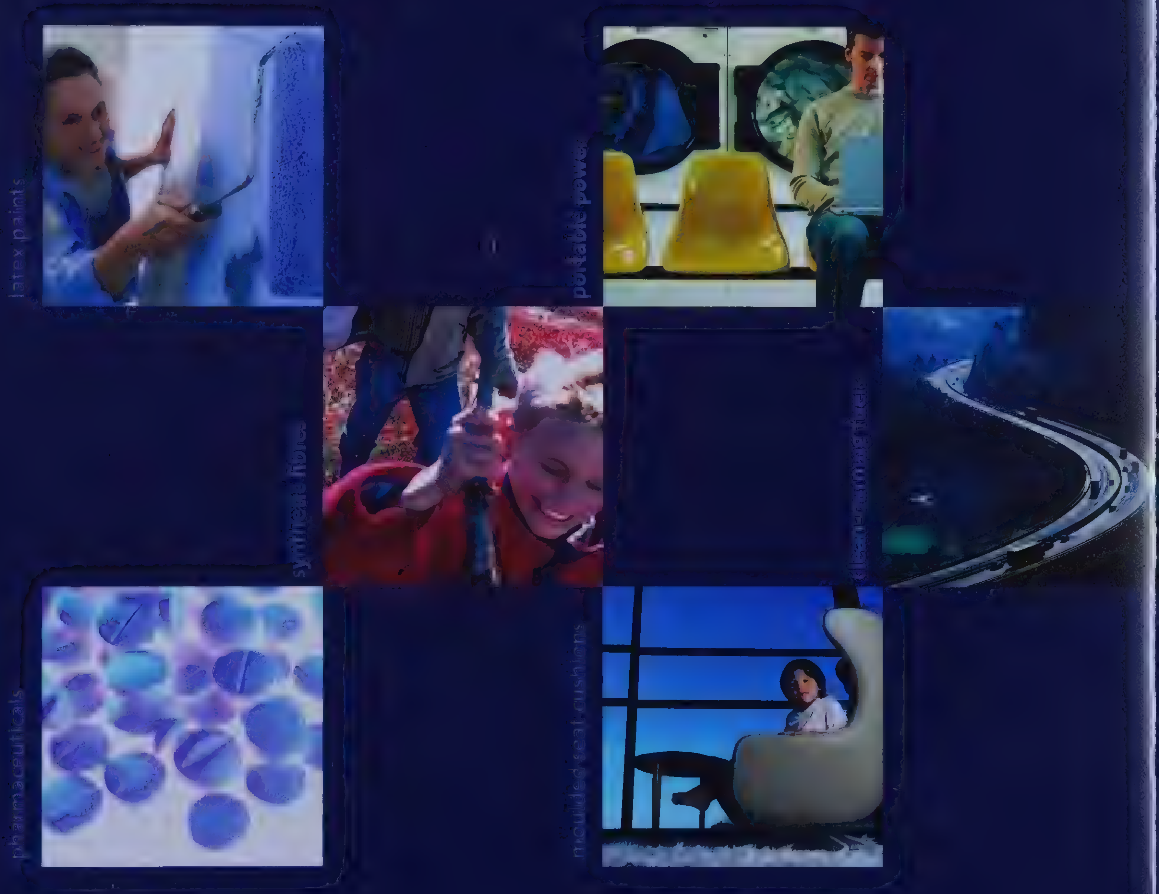
2004	2005	2006	2007	2008	THEREAFTER
$ 105,360	$ 104,500	$ 111,170	$ 103,820	$ 91,440	$ 555,310

(c) Commitments for capital expenditures:

The Company estimates that its remaining share of capital expenditures to complete the construction of the Atlas methanol facility in Trinidad and fund a debt service reserve account will be approximately $56 million. The Company expects that these expenditures will be funded from cash generated from operations, cash and cash equivalents and the proceeds from the limited recourse debt facilities. At December 31, 2003, the Company estimates its future cash equity contribution to complete the construction of Atlas and fund the debt service reserve account will be approximately $44 million.

The Company is currently expanding its methanol production facilities in Chile. The Company estimates that the remaining capital expenditures for this project, including capitalized interest, will be approximately $133 million and will be incurred primarily in 2004. The Company expects that these expenditures will be funded from cash generated from operations and cash and cash equivalents.

2003 Methanex Factbook



a clear choice | methanex methanol

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Methanex Financial Highlights

Income and Cash Flows from Operating Activities

(millions $US)

	2003	Q4	Q3	Q2	Q1	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Revenue	1,394	352	335	371	336	1,009	1,149	1,061	695	721	1,299	945	1,249	1,488	533
Cost of sales and operating expenses	(1,002)	(269)	(252)	(271)	(210)	(739)	(911)	(756)	(689)	(704)	(931)	(734)	(848)	(876)	(439)
Depreciation and amortization	(95)	(27)	(24)	(21)	(23)	(111)	(113)	(110)	(112)	(107)	(117)	(114)	(97)	(75)	(58)
Interest expense	(39)	(10)	(11)	(10)	(8)	(29)	(32)	(32)	(25)	(22)	(32)	(20)	(32)	(30)	(24)
Interest and other income	14	3	2	5	4	9	19	16	14	26	34	23	22	5	3
Unusual items, net[1]	(179)	(139)	(40)	—	—	(88)	(11)	—	(69)	—	—	(105)	(39)	—	—
Income tax recovery (expense)	(85)	(20)	(18)	(24)	(23)	(25)	(30)	(34)	36	18	(51)	(3)	(63)	(77)	(5)
NET INCOME (LOSS)	8	(110)	(8)	50	76	26	71	145	(150)	(68)	202	(8)	192	435	10
Add (deduct):															
Depreciation and amortization	95	27	24	21	23	111	113	110	112	107	117	114	97	75	58
Future income taxes	45	11	11	12	11	8	22	26	(28)	(1)	41	4	27	31	3
Non-cash unusual items[1]	169	129	40	—	—	88	—	—	69	—	—	105	37	—	—
Other	13	6	2	3	2	12	13	16	13	10	5	1	7	3	—
CASH FLOWS FROM OPERATING ACTIVITIES[2]	330	63	69	86	112	245	219	297	16	48	365	216	360	544	71
Increase (decrease) in cash	(134)	(21)	24	(180)	43	89	106	74	(136)	(204)	108	(16)	208	107	(10)
Operating income	296					158	125	195	(106)	(90)	251	97	304	537	36
EBITDA[3]	392					270	238	305	6	17	368	211	401	612	94

1 Unusual items, net includes the asset restructuring charges (2003, 2002, 2001 and 1999), write-down of property, plant and equipment (2003, 1999 and 1996), site restoration adjustment (2002) and debt retirement cost (1995).
2 Before changes in non-cash working capital and the utilization of prepaid natural gas
3 For a reconciliation of cash flows from operating activities to EBITDA refer to "Supplemental Non-GAAP Measures" on page 41

Consolidated Balance Sheets

(millions $US)

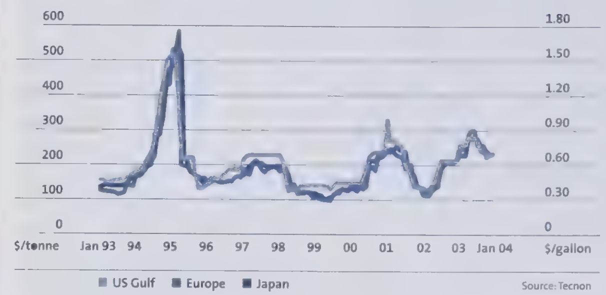
	2003	Q4	Q3	Q2	Q1	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
ASSETS															
Cash and cash equivalents	288	288	309	285	465	421	332	226	152	288	492	384	400	192	85
Receivables	221	221	204	212	203	201	135	286	227	202	246	208	173	339	85
Inventories	127	127	141	167	136	119	100	140	73	71	89	68	64	108	39
Prepaid expenses	15	15	14	17	7	12	9	11	10	9	12	9	13	13	12
Current assets	651	651	668	681	811	753	576	663	462	570	839	669	650	652	221
Property, plant and equipment	1,320	1,320	1,351	1,346	1,005	980	1,032	1,046	1,114	1,141	1,065	1,021	1,014	975	698
Other assets	111	111	97	99	83	86	85	94	68	88	69	81	84	61	50
TOTAL ASSETS	2,082	2,082	2,116	2,126	1,899	1,819	1,693	1,803	1,644	1,799	1,973	1,771	1,748	1,688	969
LIABILITIES AND SHAREHOLDERS' EQUITY															
Accounts payable and accrued liabilities	178	178	143	174	150	135	110	132	113	107	188	119	112	246	98
Current maturities	33	33	30	28	8	6	155	5	10	9	5	5	24	10	32
Current liabilities	211	211	173	202	158	141	265	137	123	116	193	124	136	256	130
Long-term debt	756	756	753	741	560	548	250	399	399	399	398	398	401	398	409
Other long-term liabilities	70	70	59	51	51	53	79	80	68	50	63	64	30	3	—
Future income taxes	261	261	233	222	184	173	164	142	98	126	128	73	68	41	10
Total liabilities	1,298	1,298	1,218	1,216	953	915	758	758	688	691	782	659	635	698	549
Shareholders' equity	784	784	898	910	946	904	935	1,045	956	1,108	1,191	1,112	1,113	990	420
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,082	2,082	2,116	2,126	1,899	1,819	1,693	1,803	1,644	1,799	1,973	1,771	1,748	1,688	969
Total capitalization	1,562	1,562	1,668	1,670	1,506	1,452	1,335	1,444	1,355	1,507	1,589	1,510	1,533	1,398	861

Methanol – General Information

Methanol Price History

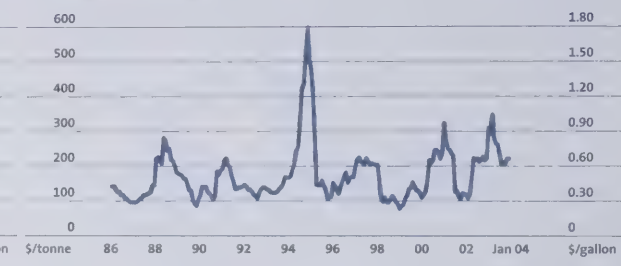
	2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993	
t = tonne, g = gallon	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g
Methanex average realized price	220	0.66	155	0.47	172	0.52	160	0.48	105	0.32	120	0.36	187	0.56	149	0.45	222	0.67	288	0.87	136	0.41

Regional Contract Pricing History



Source: Tecnon

US Gulf Spot Price History



Source: ICIS

Simplified Process Flowchart

Conversion Formulas

Production Conversions *(unit of methanol consumed per unit of product by weight; Source: CMAI)*

Acetic Acid	0.55	Diethylene Glycol MME	0.3	Methyl Methacrylate	0.39	Triethylene Glycol MME	0.22
Carbon Tetrachloride	0.22	Dimethyl Ether (DME)	1.5	Methylene Chloride	0.41	Single Cell Protein	1.8 - 2.6
Chloroform	0.29	Formaldehyde (37%)	0.45	MTBE	0.36		
Methyl Chloride	0.68	Methyl Acrylate	0.39	Polyacetal	1.5		
DMT (non-retained)	0.38	Methylamines	1.45	Synthetic Gasoline	2.56		

Volume and Mass Conversions

1 Tonne methanol = 332.6 US Gallons = 7.92 Barrels
1 Barrel = 42 US Gallons
1 Gallon = 1 US Gallon or 3.785 Litres
1 Tonne = 1.1025 Short Ton
1 Short Ton = 0.907 Tonne
1 Kilogram = 2.205 Pounds
1 MSCF = 26.8 Nm^3
$100 per tonne methanol = $0.30 per gallon methanol

Energy Conversions/Definitions

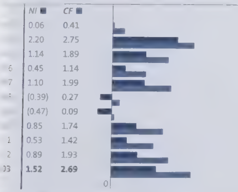
1 MMBTU = 1.055 GJ
1 GJ = 0.948 MMBTU
1 MMBTU = 1 MSCF
(assuming approximate caloric value of pipeline gas = 1000 BTU/SCF or 0.039 GJ/Nm^3)
BTU = British Thermal Unit
GJ = Gigajoule = 10^9 joules
MSCF = Thousand Standard Cubic Feet
Nm^3 = Normal Cubic Meter

Methanex Performance

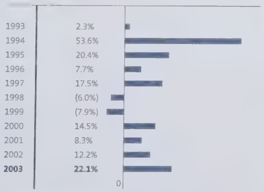
Ratios
(see definitions documented below)

		2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
	Year end share price (US$)	**11.23**	8.38	5.54	6.44	2.63	5.06	7.93	9.00	7.31	13.00	8.00
VALUE	Net income (loss) per share	**0.06**	0.21	0.46	0.85	(0.87)	(0.39)	1.10	(0.04)	1.05	2.24	0.06
	Adjusted net income (loss) per share[1]	**1.52**	0.89	0.53	0.85	(0.47)	(0.39)	1.10	0.45	1.14	2.20	0.06
	Cash flow per share[2]	**2.69**	1.93	1.42	1.74	0.09	0.27	1.99	1.14	1.89	2.75	0.41
	EBITDA per share	**3.18**	2.13	1.54	1.79	0.03	0.10	2.01	1.12	2.09	3.10	0.55
	Book value per share	**6.53**	7.20	7.13	6.50	5.52	6.39	6.79	5.88	5.89	5.08	2.45
	Price to earnings (P/E)[3]	**7.40**	9.42	10.45	7.57	n.a.	n.a.	7.22	19.88	6.43	5.91	137.38
	Price to cash flow	**4.18**	4.34	3.91	3.70	28.30	18.49	3.99	7.86	3.87	4.72	19.29
	Price to EBITDA	**3.53**	3.93	3.59	3.59	78.90	52.01	3.96	8.04	3.49	4.20	14.52
	Price to book value	**1.72**	1.16	0.78	0.99	0.48	0.79	1.17	1.53	1.24	2.56	3.26
	Market value per tonne produced (US$)	**287**	185	136	172	85	187	273	382	345	699	604
	Production per share (US gallons)	**12.71**	14.95	11.55	11.73	10.26	8.99	9.65	7.83	7.05	6.18	4.41
LIQUIDITY	Quick ratio	**2.48**	4.46	1.80	3.81	3.16	4.32	3.89	4.84	4.31	2.13	1.40
	Current ratio	**3.08**	5.30	2.17	4.83	3.75	4.93	4.35	5.39	4.78	2.55	1.70
	Working capital ($000s)	**438,869**	611,514	310,967	526,377	339,008	454,497	646,884	544,994	514,221	396,193	91,322
PROFITABILITY	Return on equity (ROE)	**22.1%**	12.2%	8.3%	14.5%	(7.9%)	(6.0%)	17.5%	7.7%	20.4%	53.6%	2.3%
	Return on capital employed (ROCE)	**14.3%**	9.1%	6.4%	10.7%	(4.3%)	(3.3%)	13.7%	6.4%	16.1%	41.5%	3.1%
DEBT	Asset coverage	**2.68**	3.32	4.24	4.52	4.12	4.51	4.95	4.45	4.15	4.14	2.20
	EBITDA interest coverage	**6.64**	7.04	7.25	9.39	0.14	0.39	10.64	4.39	10.68	14.68	3.04
	Debt to capitalization	**50%**	38%	30%	28%	29%	26%	25%	26%	27%	29%	51%
	Debt per tonne of methanol produced ($)	**166**	96	75	66	75	85	78	89	105	113	194
	Net debt ($000s)	**489,683**	125,837	67,315	173,262	247,014	111,024	(93,835)	14,349	21,315	215,576	356,032

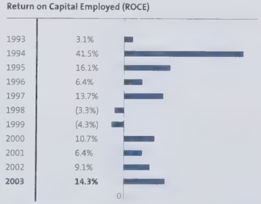
usted Net Income (Loss)[1] and Cash Flows[2] per Share



Return on Equity (ROE)



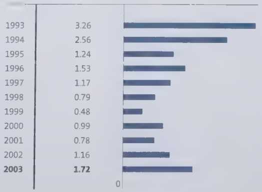
Return on Capital Employed (ROCE)



oduction per Share (US gallons)

Debt per Tonne Produced

Price to Book Value



Definitions

Current Ratio = Current Assets ÷ Current Liabilities EBITDA Interest Coverage = EBITDA[1] ÷ Interest Expense[4] EBITDA[1] = Net income (loss) before interest expense, interest and other income, income taxes, depreciation and amortization, asset restructuring charges and other unusual items Asset Coverage = Total Assets ÷ Long-term Debt Quick Ratio = (Current Assets – Inventories) ÷ Current Liabilities Debt/Capitalization = Long-term Debt ÷ Total Capitalization ROCE = Net income (loss)[1] before interest expense after income tax ÷ Average Capital Employed (Capital Employed = Total assets less plant and equipment under construction or development less current non-interest bearing liabilities) ROE = Net income (loss)[1] ÷ Average Shareholders' Equity Total Capitalization = Long-term Debt (Including Current Portion) + Shareholders' Equity

1. *Excludes unusual items Unusual items include asset restructuring charges (2003, 2002, 2001 and 1999), write-down of property, plant and equipment (2003, 1999 and 1996), site restoration adjustment (2002) and debt retirement cost (1995).*
2. *Cash flows from operating activities before changes in non-cash working capital and the utilization of prepaid natural gas.*
3. *Calculated as the year end share price divided by adjusted net income (loss) per share.*
4. *Includes capitalized interest.*

Note: Book value per share is based on period ended shares outstanding, all other per share amounts are based on weighted average of shares outstanding.

Methanex Stock Trading History

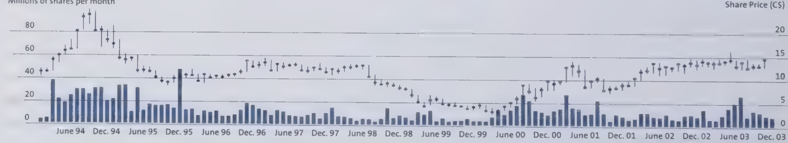
Common Share Data
(millions of shares except where noted)

	2003	Q4	Q3	Q2	Q1	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Net income (loss) per share	**0.06**	**(0.92)**	**(0.06)**	**0.39**	**0.60**	0.21	0.46	0.85	(0.87)	(0.39)	1.10	(0.04)	1.05	2.24	0.06
Adjusted net income (loss) per share (US$)[1]	**1.52**	**0.24**	**0.27**	**0.39**	**0.60**	0.89	0.53	0.85	(0.47)	(0.39)	1.10	0.45	1.14	2.20	0.06
Dividends paid per share (US$)	**0.47**	**0.06**	**0.06**	**0.05**	**0.30**	0.10	—	—	—	—	—	—	—	—	—
Weighted average shares outstanding	**123.0**	**119.7**	**119.2**	**127.1**	**125.9**	126.6	154.4	170.3	173.2	174.7	183.8	189.0	190.3	197.5	170.5
Period end shares outstanding	**120.0**	**120.0**	**119.5**	**119.1**	**126.5**	125.7	131.2	160.8	173.1	173.5	175.6	189.1	189.0	194.8	171.3
Canadian trading volume	**143.7**	**28.0**	**47.0**	**44.0**	**24.7**	95.9	157.3	148.3	70.9	81.4	107.7	131.0	266.1	277.2	57.7
US trading volume	**54.0**	**9.1**	**18.1**	**17.8**	**9.0**	53.0	168.6	110.9	9.2	15.7	23.1	43.5	154.9	266.3	13.6
Total trading volume	**197.7**	**37.1**	**65.1**	**61.8**	**33.6**	148.8	326.0	259.2	80.1	97.1	130.8	174.5	421.0	543.5	71.3
NOVA ownership	**—**	**—**	**—**	**—**	**46.9**	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	0.0
Remaining public float	**120.0**	**120.0**	**119.5**	**119.1**	**79.6**	78.8	84.3	113.9	126.2	126.5	128.6	142.2	142.1	147.9	171.3
Trading as a % of public float	**165%**	**31%**	**54%**	**52%**	**42%**	189%	387%	228%	63%	77%	102%	123%	296%	368%	42%
Average share price (C$)	**13.74**	**13.47**	**13.64**	**14.26**	**13.57**	11.96	9.77	5.43	5.02	10.73	12.56	10.84	12.35	17.32	9.40
Average share price (US$)	**9.83**	**10.25**	**9.88**	**10.22**	**8.98**	7.62	6.33	3.67	3.37	7.24	9.04	7.91	8.93	12.70	7.23
Closing share price (C$)	**14.53**	**14.53**	**12.60**	**14.37**	**13.64**	13.30	8.82	9.65	3.95	8.00	11.35	12.45	10.00	18.25	10.38
Closing share price (US$)	**11.23**	**11.23**	**9.37**	**10.68**	**9.27**	8.38	5.54	6.44	2.63	5.06	7.93	9.00	7.31	13.00	8.00
Market capitalization (millions C$)	**1,744**	**1,744**	**1,506**	**1,711**	**1,725**	1,671	1,157	1,552	684	1,327	1,993	2,355	1,890	3,555	1,777
Market capitalization (millions US$)	**1,348**	**1,348**	**1,120**	**1,272**	**1,173**	1,053	727	1,035	455	878	1,392	1,702	1,382	2,532	1,370

1. *Excludes unusual items. Unusual items include asset restructuring charges (2003, 2002, 2001 and 1999), write-down of property, plant and equipment (2003, 1999 and 1996), site restoration adjustment (2002) and debt retirement cost (1995).*

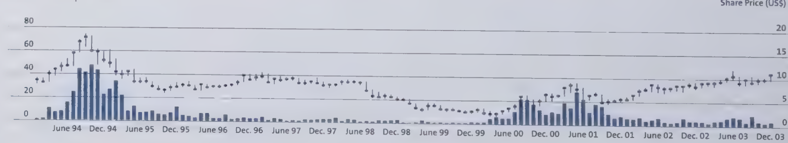
Price & Volume History: Canadian Market (TSX) — trading symbol: MX

Millions of shares per month

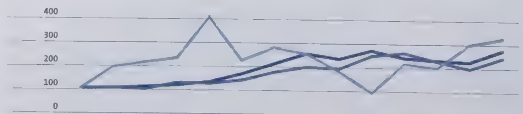


Price & Volume History: US Market (Nasdaq) — trading symbol: MEOH

Millions of shares per month



MX Performance Relative to S&P/TSX Composite Index and S&P Chemical Composite Index



Index	9.17.91	12.31.91	12.31.92	12.31.93	12.31.94	12.31.95	12.31.96	12.31.97	12.31.98	12.31.99	12.31.00	12.31.01	12.31.02	12.31.03
Methanex	100	192	211	231	406	222	277	252	178	88	214	196	296	323
S&P/TSX	100	103	98	126	123	138	173	196	190	246	260	225	194	240
S&P Chem	100	102	108	116	130	165	209	253	232	269	238	228	223	273

Note: Index returns are exclusive of dividends.

Source: Bloomberg

2003 Trading Range History

TRADING SYMBOL – MX
THE TORONTO STOCK EXCHANGE

C$	HIGH	LOW	VOLUME (MILLIONS)
Q1	14.65	12.54	24.7
Q2	16.27	13.38	44.0
Q3	14.63	12.40	47.0
Q4	14.88	12.51	28.0
2003	**16.27**	**12.40**	**143.7**

TRADING SYMBOL – MEOH
THE NASDAQ STOCK MARKET

US$	HIGH	LOW	VOLUME (MILLIONS)
Q1	9.55	8.30	9.0
Q2	12.00	9.15	17.8
Q3	10.70	8.79	18.1
Q4	11.41	9.13	9.1
2003	**12.00**	**8.30**	**54.0**

Methanol Industry Supply & Demand Statistics

Global Market Position

(thousands of tonnes)

SALES VOLUME BY REGION	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Europe	**1,642**	1,983	1,923	1,418	1,359	1,263	1,537	1,292	1,139	905	864
North America	**2,389**	2,477	2,857	2,479	2,480	2,267	2,271	2,185	1,958	2,227	722
Asia Pacific	**2,113**	2,316	2,165	2,390	2,288	2,100	2,368	1,945	1,609	1,288	1,275
Latin America	**435**	444	445	484	466	381	727	715	615	454	149
Total Sales	**6,579**	7,220	7,390	6,771	6,593	6,011	6,903	6,137	5,321	4,874	3,010
Sales of Methanex production	**4,933**	5,686	5,390	5,815	5,338	4,479	5,049	4,580	3,939	3,403	2,264
Sales of Methanex purchased product[1]	**1,646**	1,534	2,000	956	1,255	1,532	1,854	1,557	1,382	1,471	746
Total world production (Source: Methanex/CMAI)	**31,554**	30,595	30,171	29,420	27,100	26,154	25,913	24,718	23,151	21,973	20,321

1 Includes commission sales volumes.

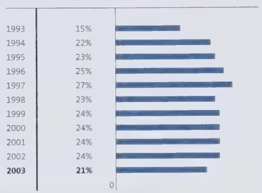
Supply – Methanol Capacity Additions

(thousands of tonnes)

	START-UP	CAPACITY
Atlas-Methanex/BP (Trinidad)	2004	1,700
NPC3 (Iran)	2004	1,000
Methanex Chile IV (Chile)	2005	840
SIPC (Saudi Arabia)	2005	1,000
MHTL M5 (Trinidad)	2005	1,800

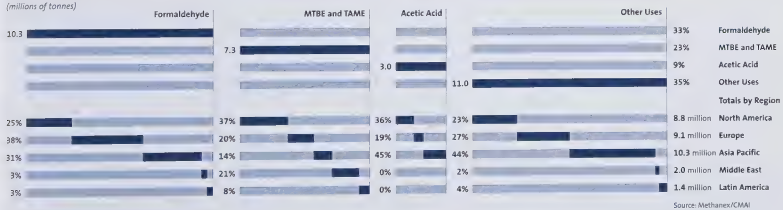
Note: Included in this table are only those significant projects under construction at the end of 2003 that we expect to be completed by the end of 2005.

Methanex Market Share



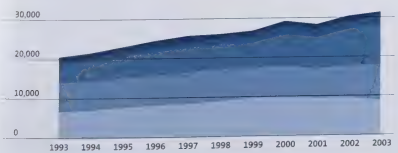
2003 World Methanol Consumption

(millions of tonnes)



Regional Demand Growth 1993-2003

(thousands of tonnes)

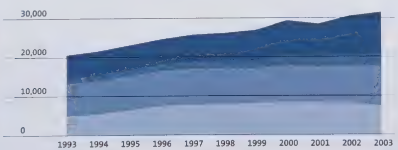


	% of World Market	% Growth Rates (03/02)
North America	31%	(0.4%)
Europe	27%	1.6%
Asia Pacific	31%	3.0%
Middle East	7%	3.1%
Latin America	4%	0.5%

Source: Methanex/CMAI

Derivative Demand Growth 1993-2003

(thousands of tonnes)



	% of World Market	% Growth Rates (03/02)
MTBE and TAME	23%	(9.2%)
Formaldehyde	33%	5.9%
Acetic Acid	9%	3.0%
Other	35%	10.5%

Source: Methanex/CMAI

Methanex Production & Supply Statistics

Methanol Production Data

(thousands of tonnes)

PLANT DATA	OPERATING CAPACITY[1]	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
CHILE												
Chile I	925	**775**	895	878	873	684	656	766	853	841	874	807
Chile II	1,010	**983**	997	841	1,022	995	1,044	869	14	—	—	—
Chile III	1,065	**946**	1,040	1,064	1,017	630	—	—	—	—	—	—
	3,000	**2,704**	**2,932**	**2,783**	**2,912**	**2,309**	**1,700**	**1,635**	**867**	**841**	**874**	**807**
TRINIDAD												
Titan[2]	**850**	**577**	—	—	—	—	—	—	—	—	—	—
NEW ZEALAND												
Waitara	530	**149**	467	406	525	536	435	510	549	523	501	533
Motunui DII	500	**198**	460	363	490	466	329	401	371	371	456	249
Motunui DIII	700	**503**	697	685	702	548	619	560	529	430	19	—
Motunui DIV	700	**118**	657	679	693	513	405	434	397	51	—	—
	2,430	**968**	**2,281**	**2,133**	**2,410**	**2,063**	**1,788**	**1,905**	**1,846**	**1,375**	**976**	**782**
NORTH AMERICA												
Medicine Hat 1, Alberta[3]	—	—	—	—	—	36	167	182	219	230	239	—
Medicine Hat 2[3]	—	—	—	—	—	—	—	93	244	215	262	—
Medicine Hat 3[3]	—	—	—	195	442	421	415	481	584	528	538	—
Kitimat, British Columbia	500	**449**	478	250	243	468	407	480	436	409	498	521
Fortier, Louisiana[4]	—	—	—	—	—	46	213	316	248	314	100	—
Enron, Texas[5]	—	—	—	—	—	—	—	—	11	94	135	160
	500	**449**	**478**	**445**	**685**	**971**	**1,202**	**1,552**	**1,742**	**1,790**	**1,772**	**681**
Total Methanol Production		**4,698**	5,691	5,361	6,007	5,343	4,690	5,092	4,455	4,006	3,622	2,270
Capacity[6]		**5,042**	5,930	5,915	6,150	6,424	5,885	6,190	5,400	5,400	4,973	3,855
Methanol Equivalent Capacity Utilization[7]		**93%**	96%	91%	98%	83%	80%	83%	91%	86%	94%	98%
Number of Employees		**703**	824	792	846	812	871	841	881	876	820	616
Lost-Time Incidents		**1**	2	2	4	7	7	1	5	2	1	2
Productivity (thousands of tonnes/employee)		**6.68**	6.91	6.77	7.10	6.58	5.38	6.05	5.06	4.57	4.42	3.69

1 Actual operating rates can vary.
2 Methanex acquired the Titan methanol facility on May 1, 2003 2003 production considers the period May-December
3 Medicine Hat 1 (capacity 260 KMT), 2 (capacity 270 KMT) and 3 (capacity 470 KMT) are permanently shut down.
4 Fortier (capacity 570 KMT) is permanently shut down.
5 Enron no longer supplies product to Methanex as of February 12, 1996
6 Capacity figures are adjusted by the reduced production capability in New Zealand (2003) and acquisition of the Titan methanol facility on May 1, 2003.
7 Capacity utilization figures incorporate both plant downtime and reductions in operating rates. Gasoline production in New Zealand in 1994 through 1997 is converted to a methanol equivalent basis.

Sales of Purchased Product

(thousands of tonnes)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Leuna, Germany	—	—	—	—	—	—	120	323	350	380	348
Fortier	—	—	—	—	16	64	136	67	95	33	—
Texaco	—	—	—	—	—	—	—	62	226	165	172
CMC, Trinidad	—	226	478	437	497	459	416	453	484	536	24
Titan, Trinidad[1]	**254**	725	720	142	—	—	—	—	—	—	—
YPF, Argentina	**233**	16	—	—	—	—	—	—	—	—	—
Other (US & Europe)	**1,159**	567	802	377	742	1,009	1,182	652	227	357	202
Total purchased product	**1,646**	1,534	2,000	956	1,255	1,532	1,854	1,557	1,382	1,471	746

1 Methanex acquired the Titan Methanol Company facility on May 1, 2003. Prior to May 1, 2003, Methanex sold product from the Titan facility on a commission basis. Gross sales were not included in Methanex revenues.

Methanex Stock Trading History

Common Share Data

(millions of shares except where noted)

	2003	Q4	Q3	Q2	Q1	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Net income (loss) per share	0.06	(0.92)	(0.06)	0.39	0.60	0.21	0.46	0.85	(0.87)	(0.39)	1.10	(0.04)	1.05	2.24	0.06
Adjusted net income (loss) per share (US$)[1]	1.52	0.24	0.27	0.39	0.60	0.89	0.53	0.85	(0.47)	(0.39)	1.10	0.45	1.14	2.20	0.06
Dividends paid per share (US$)	0.47	0.06	0.06	0.05	0.30	0.10	—	—	—	—	—	—	—	—	—
Weighted average shares outstanding	123.0	119.7	119.2	127.1	125.9	126.6	154.4	170.3	173.2	174.7	183.8	189.0	190.3	197.5	170.5
Period end shares outstanding	120.0	120.0	119.5	119.1	126.5	125.7	131.2	160.8	173.1	173.5	175.6	189.1	189.0	194.8	171.3
Canadian trading volume	143.7	28.0	47.0	44.0	24.7	95.9	157.3	148.3	70.9	81.4	107.7	131.0	266.1	277.2	57.7
US trading volume	54.0	9.1	18.1	17.8	9.0	53.0	168.6	110.9	9.2	15.7	23.1	43.5	154.9	266.3	13.6
Total trading volume	197.7	37.1	65.1	61.8	33.6	148.8	326.0	259.2	80.1	97.1	130.8	174.5	421.0	543.5	71.3
NOVA ownership	—	—	—	—	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	46.9	0.0
Remaining public float	120.0	120.0	119.5	119.1	79.6	78.8	84.3	113.9	126.2	126.5	128.6	142.2	142.1	147.9	171.3
Trading as a % of public float	165%	31%	54%	52%	42%	189%	387%	228%	63%	77%	102%	123%	296%	368%	42%
Average share price (C$)	13.74	13.47	13.64	14.26	13.57	11.96	9.77	5.43	5.02	10.73	12.56	10.84	12.35	17.32	9.40
Average share price (US$)	9.83	10.25	9.88	10.22	8.98	7.62	6.33	3.67	3.37	7.24	9.04	7.91	8.93	12.70	7.23
Closing share price (C$)	14.53	14.53	12.60	14.37	13.64	13.30	8.82	9.65	3.95	8.00	11.35	12.45	10.00	18.25	10.38
Closing share price (US$)	11.23	11.23	9.37	10.68	9.27	8.38	5.54	6.44	2.63	5.06	7.93	9.00	7.31	13.00	8.00
Market capitalization (millions C$)	1,744	1,744	1,506	1,711	1,725	1,671	1,157	1,552	684	1,327	1,993	2,355	1,890	3,555	1,777
Market capitalization (millions US$)	1,348	1,348	1,120	1,272	1,173	1,053	727	1,035	455	878	1,392	1,702	1,382	2,532	1,370

1 *Excludes unusual items. Unusual items include asset restructuring charges (2003, 2002, 2001 and 1999), write-down of property, plant and equipment (2003, 1999 and 1996), site restoration adjustment (2002) and debt retirement cost (1995).*

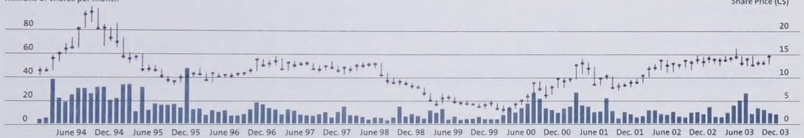
Price & Volume History: Canadian Market (TSX) — trading symbol: MX

Millions of shares per month

Volume ■

Source: Bloomberg

Share Price (C$)



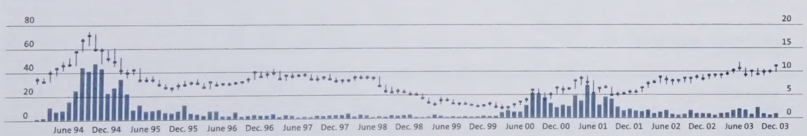
Price & Volume History: US Market (Nasdaq) — trading symbol: MEOH

Millions of shares per month

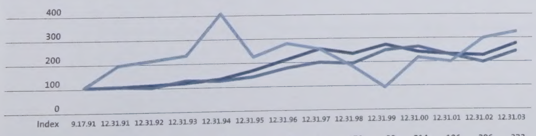
Volume ■

Source: Bloomberg

Share Price (US$)



MX Performance Relative to S&P/TSX Composite Index and S&P Chemical Composite Index



Index	9.17.91	12.31.91	12.31.92	12.31.93	12.31.94	12.31.95	12.31.96	12.31.97	12.31.98	12.31.99	12.31.00	12.31.01	12.31.02	12.31.03
Methanex ■	100	192	211	231	406	222	277	252	178	88	214	196	296	323
S&P/TSX ■	100	103	98	126	123	138	173	196	190	246	260	225	194	240
S&P Chem ■	100	102	108	116	130	165	209	253	232	269	238	228	223	273

Source: Bloomberg

Note: Index returns are exclusive of dividends.

2003 Trading Range History

TRADING SYMBOL – MX
THE TORONTO STOCK EXCHANGE

C$	HIGH	LOW	VOLUME (MILLIONS)
Q1	14.65	12.54	24.7
Q2	16.27	13.38	44.0
Q3	14.63	12.40	47.0
Q4	14.88	12.51	28.0
2003	**16.27**	**12.40**	**143.7**

TRADING SYMBOL – MEOH
THE NASDAQ STOCK MARKET

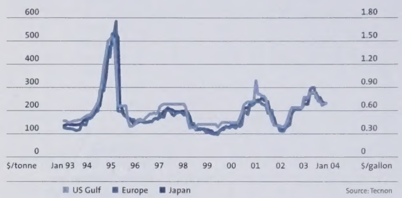
US$	HIGH	LOW	VOLUME (MILLIONS)
Q1	9.55	8.30	9.0
Q2	12.00	9.15	17.8
Q3	10.70	8.79	18.1
Q4	11.41	9.13	9.1
2003	**12.00**	**8.30**	**54.0**

Methanol – General Information

Methanol Price History

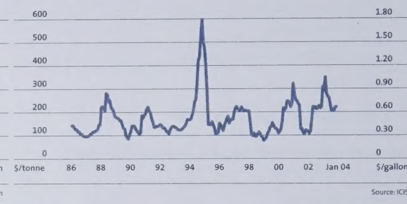
	2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993	
t = tonne, g = gallon	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g	$/t	$/g
Methanex average realized price	**220**	**0.66**	155	0.47	172	0.52	160	0.48	105	0.32	120	0.36	187	0.56	149	0.45	222	0.67	288	0.87	136	0.41

Regional Contract Pricing History



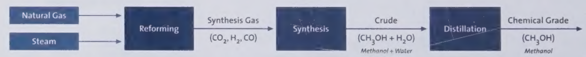
Source: Tecnon

US Gulf Spot Price History



Source: ICIS

Simplified Process Flowchart



Conversion Formulas

Production Conversions *(unit of methanol consumed per unit of product by weight; Source: CMAI)*

Acetic Acid	0.55	Diethylene Glycol MME	0.3	Methyl Methacrylate	0.39	Triethylene Glycol MME	0.22
Carbon Tetrachloride	0.22	Dimethyl Ether (DME)	1.5	Methylene Chloride	0.41	Single Cell Protein	1.8 - 2.6
Chloroform	0.29	Formaldehyde (37%)	0.45	MTBE	0.36		
Methyl Chloride	0.68	Methyl Acrylate	0.39	Polyacetal	1.5		
DMT (non-retained)	0.38	Methylamines	1.45	Synthetic Gasoline	2.56		

Volume and Mass Conversions

1 Tonne methanol = 332.6 US Gallons = 7.92 Barrels
1 Barrel = 42 US Gallons
1 Gallon = 1 US Gallon or 3.785 Litres
1 Tonne = 1.1025 Short Ton
1 Short Ton = 0.907 Tonne
1 Kilogram = 2.205 Pounds
1 MSCF = 26.8 Nm^3
$100 per tonne methanol = $0.30 per gallon methanol

Energy Conversions/Definitions

1 MMBTU = 1.055 GJ
1 GJ = 0.948 MMBTU
1 MMBTU = 1 MSCF
(assuming approximate caloric value of pipeline gas = 1000 BTU/SCF or 0.039 GJ/Nm^3)
BTU = British Thermal Unit
GJ = Gigajoule = 10^9 joules
MSCF = Thousand Standard Cubic Feet
Nm^3 = Normal Cubic Meter

silicone sealants

clear plastic bottles

windshield washer fluid

METHANEX

A Responsible Care® Company

rd of Directors

clockwise from bottom left

Monica E. Sloan
David Morton
Brian D. Gregson
Robert B. Findlay
Graham D. Sweeney
John M. Reid
A. Terence Poole
Pierre Choquette
R.J. (Jack) Lawrence
Anne L. Wexler

orate Information

Office
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rrard Street
uver, BC V6C 3M1

04 661 2600
04 661 2676

ee
661-8851
North America

ite
methanex.com

or inquiries:
@methanex.com

nquiries:
methanex.com

Transfer Agent
CIBC Mellon Trust acts as transfer agent and registrar for Methanex stock and maintains all primary shareholder records. All inquiries regarding share transfer requirements, lost certificates, changes of address, or the elimination of duplicate mailings should be directed to CIBC Mellon Trust at:

1-800-387-0825
Toll Free within North America

Investor Relations Inquiries

Chris Cook
Director, Investor Relations

Tel 604 661 2600

Annual General Meeting
The Annual General Meeting will be held at the Vancouver Convention & Exhibition Centre in Vancouver, British Columbia on Thursday, May 13, 2004 at 10:30 AM.

Shares Listed
Toronto Stock Exchange – MX
Nasdaq National Market – MEOH

Annual Information Form (AIF)
The corporation's AIF can be found online at www.sedar.com and at www.sec.gov.

A copy of the AIF can also be obtained by contacting our head office.

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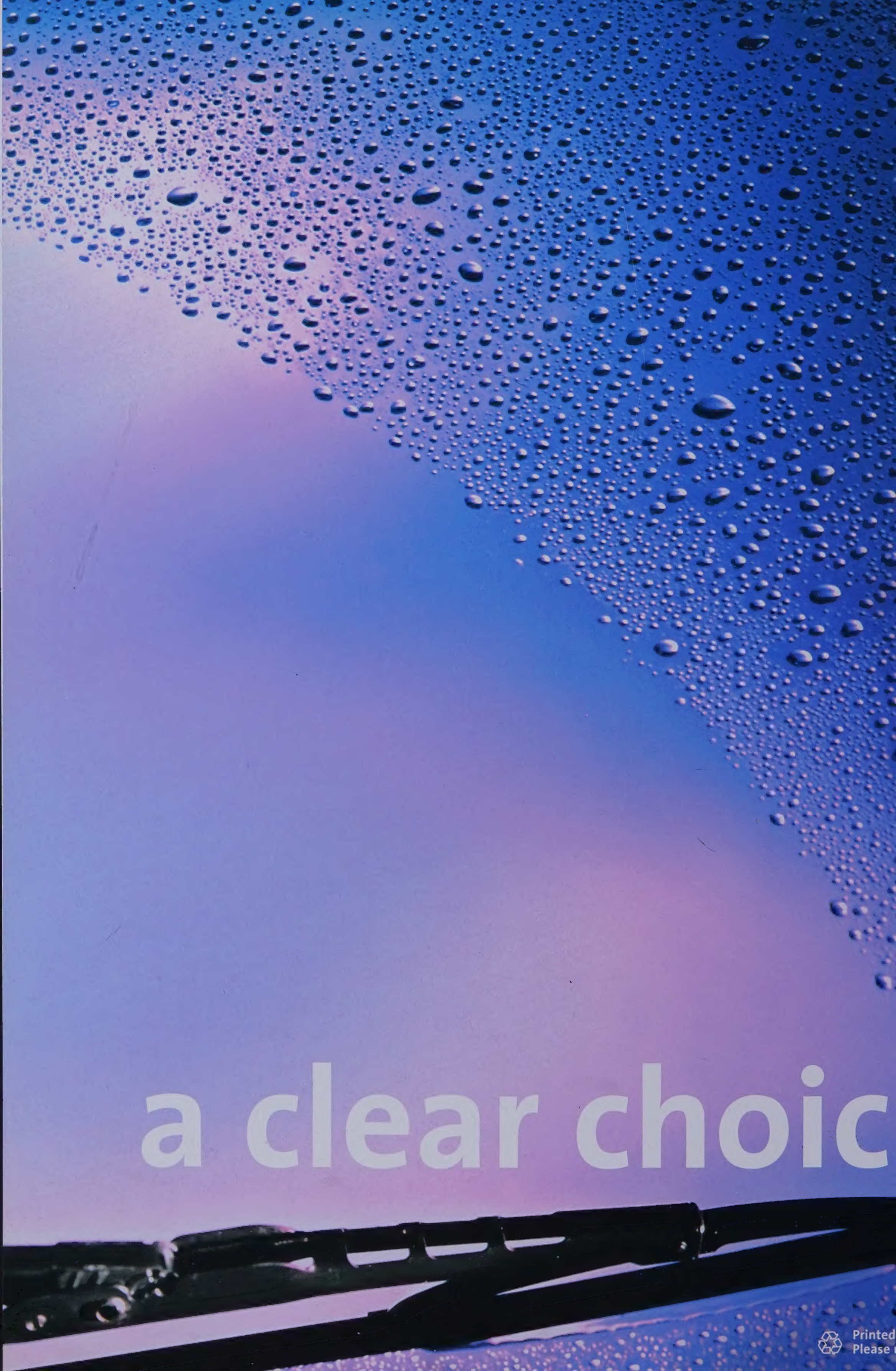
METHANEX®
A Responsible Care® Company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